



# Productivity Commission Response to the Issues Paper

From Skills Impact

20 December 2020

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## About Skills Impact

Skills Impact is a not-for-profit organisation that works across Australia to benchmark learning and skills standards for industry. Through our work, learners and workplaces have access to nationally consistent skills standards and qualifications, supporting greater employment opportunities and industry competitiveness. We collaborate with industry, government and training providers, to review and develop vocational units of competency, skill sets and qualifications. Working with industry and government, we are able to track industry trends and document skills opportunities and challenges.

Skills Impact is a Skills Service Organisation covering the following industry sectors:

- Agriculture and Production Horticulture
- Amenity Horticulture, Landscaping, and Conservation & Land Management
- Aquaculture and Wild Catch Fishing
- Food and Beverage
- Animal Care and Management
- Forestry, Timber, Wood and Paper Operations and Products
- Meat and Seafood
- Racing and Breeding
- Pharmaceutical manufacturing

# Information Request 1

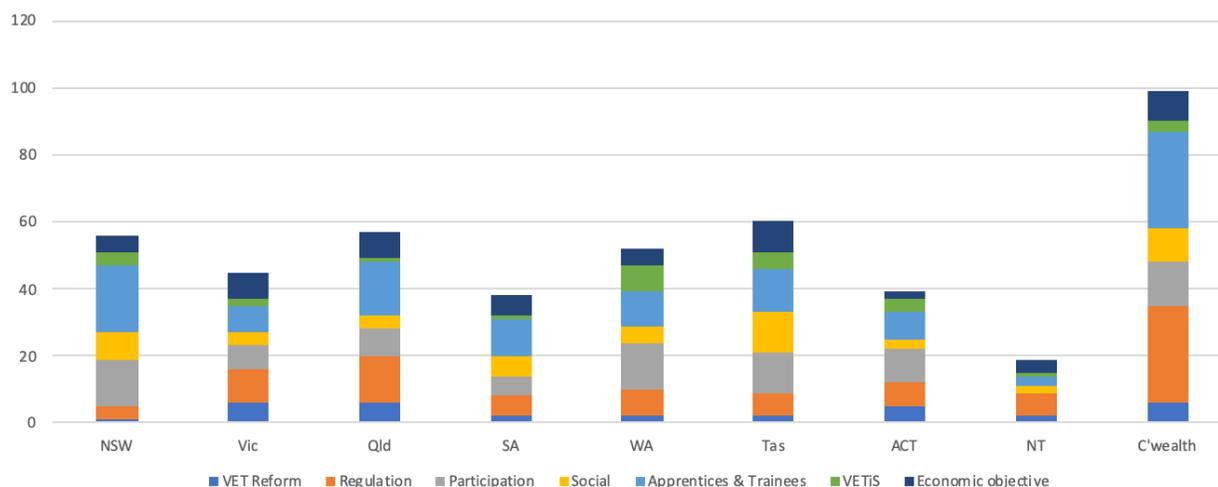
**The Commission welcomes views on our proposed approach to this study, and on any other reviews that are of relevance to this study**

*“Governments have made 465 reforms to the training sector in the last 21 years, an average of one every two and a half weeks for more than two decades which has left the sector reeling from reform fatigue and students and teachers “unable to make long term plans”.*

*Robert Bolton, Education Editor, Australian Financial Review, 9 September 2019*

For the VET system to deliver “a productive and highly skilled workforce”, the delivery and assessment of education and training to support competency and proficiency must change to meet the rapidly evolving skills needs of multiple industries. At the same time, the organisations and people who are participants in the system must also meet ever-changing requirements driven at government level across multiple policy fields. As part of this study, the Productivity Commission should include an analysis of the productivity impacts of government-driven reforms, as well as an analysis of whether the need to allocate resources and funding to implement the reforms is adding value to the system, or whether it is diverting funds from areas of rapid change that have direct impacts on achieving outcomes for industry and learners. This should include an analysis as to whether reforms have had sufficient time to be effective, or whether the constant evolution of the system has made embedding reformed processes and accurate measurement of success difficult.

The Australian Financial Review story (from which the above quote was taken) was based on the NCVET Knowledge Bank timeline of changes to the VET system ( <https://www.voced.edu.au/vet-knowledge-bank-timeline-australian-vet-policy-initiatives> ), and while it represents an overly simplistic approach to analysis of the data, it clearly identifies an issue facing the system. This graph, published by Claire Field & Associates ( <https://www.clairefield.com.au/the-vet-reform-merry-go-round/> ) illustrates the variety of areas affected by government-driven change using the same dataset.



This year alone, Skills Impact has participated in and/or made submissions to:

- The *Strengthening Skills: Expert Review of Australia's Vocational Education and Training System* (The Joyce Review) (Joyce, 2019)
- The Review of the Australian Qualifications Framework (The Noonan Review) (Noonan, 2019)
- The ACIL Allen Review on the evaluation of the Training Product Development Program
- The co-design consultation process for the National Skills Commission (NSC)
- The co-design consultation process for the National Careers Institute (NCI)
- The co-design consultation process for the implementation of Skills Organisations

- House of Representatives Standing Committee on Agriculture Inquiry into Growing Australian Agriculture to \$100 billion by 2030
- The Australian Industry and Skills Committee (AISC) pilot for potential changes to Skills Forecasts
- Productivity Commission Study of the National Agreement for Skills and Workforce Development
- The ASQA Vocational Education and Training in Schools Scoping Study

These are all Federal Government initiatives, and there are and have been similar consultations occurring at State and Territory level designed to further reforms of or initiatives in the sector. In addition, there has been the completion of the important National Regional, Rural and Remote Tertiary Education Study (the Naphthine Report) (Naphthine, 2019), which has not been referenced in this Issues Paper. Skills Impact would welcome any additional focus on the real issues facing Regional, Rural and Remote (RRR) Australia, which are significantly different from the experiences in urban Australia, in substance, range and impact.

Skills Impact would suggest that the majority of resources and time spent on reform and change should be at the other end of the system, focused on skills and workforce outcomes and productivity gains for Australia (including the benchmarking of Australian qualifications' performance internationally). One of the results of the constantly moving VET framework has been difficulty in establishing a real and substantial evidence-base to substantiate claims, and to drive change and quality. As the parameters keep changing, the aims and measurements are also changed, making comparison over time difficult.

Skills Impact believes that any program, organisation or activity needs to be supported by strong foundations that provide the framework for rapid operational change. This is seen in the approaches to programs and organisations based on defining Vision, Values and Strategy prior to implementing operational frameworks. The NCVER Knowledge Bank timeline of changes to the VET system would indicate that the VET system may suffer from constantly changing foundations, which may impede the ability to build operational frameworks to support change in outcomes.

Skills Impact submits that an analysis of the impact of constantly changing foundations of VET would be a worthwhile activity to add to this study.

The impact of the ongoing reforms to VET, often not based on evidentiary basis's, can be summed up as per this quote from Dr Cameron Archer, sourced from a special report into training published by Beef Central in 2019:

*"It seems we go from knee-jerk to knee-jerk decisions by governments. Neither side of politics has a consistent and effective policy, which is unfortunate because education is a long-term game. To build up educational expertise, effective educational resources and, most importantly, human capital networks for education takes a long time. It is not like opening and closing a gold mine or opening and closing a pizza shop. It is the exact opposite. "What has happened is that every time there has been change and reform, there has been a diminution of VET."*  
*Primary Industries Education Foundation Australia (PIEFA) chair and former principal of Tocal College at Paterson in New South Wales from 1987 until 2015, Dr Cameron Archer*

## Information Request 2

***The Commission seeks evidence on how well the National Agreement for Skills and Workforce Development's (NASWD) objectives for the vocational education and training (VET) sector have been met, and the reasons for those outcomes***

The broad objective of the NASWD makes it difficult to define what evidence might look like to describe how well objectives have been met. It starts by setting a broad objective of the Vocational Education and Training System and then defining the success of that system, by references to skills, workforce, participation in the economy and participation in the labour market, melding the notion of skills and qualifications.

Industry works more than 20,000 billion hours each year (2017 ABS figures). Assuming that 5% of work hours are spent learning on the job, this equates to 1000 billion hours of learning at work, in the workplace. The VET sector delivers significantly less than 1 billion hours of delivery each year (750 million on 2017 NCVER figures) (see Section 9). Skills and (to a lesser degree) qualifications are obtained locally through workplaces, universities, schools, informal training, peer networks, online and virtually, as well as being imported through skilled and unskilled migration programs, international business operations and even backpacker holidays.

The VET system plays a limited, though critical role in this system, yet the broad objective and the subsidiary objectives seem to place the future of Australia's skills performance on one element of the system, the VET sector.

If participation in the labour market is defined as a longer-term goal (which may be seen as career progression), while workforce participation is a current ability to add value through productivity, in developing a productive and highly skilled workforce, Australia may need to consider that there are different goals and approaches that may relate to the:

- Skills needed to participate effectively in the labour market
- Skills needed to ensure workforce participation
- The qualifications needed to participate effectively in the labour market
- The qualifications needed to ensure workforce participation

In addition, there would be no uniform national priority for each of these elements. Urban workforce participants may need greater access to formal qualifications, while RRR participants may need greater access to a wider variety of skills, whether they are recognised by formal qualifications or not (see Napthine, 2019, Part One).

Australia has a need to demonstrate international competitiveness and meet global standards through the achievement of qualifications. Day to day workplace productivity is dependent upon skills held, with or more often the case without recognised qualifications. The missing piece may be the nexus between the achievement of qualifications, the achievement of skills learnt in the workplace (without any formal recognition) and economic productivity. There is research (Pennington & Stanford, 2019, pp50-52, The Future of Work for Australian Graduates, The Australia Institute Centre for Future Work) to demonstrate that a trained and skilled workforce is more productive, and the simplest way to measure "trained and skilled" is to rely on measurements of qualifications. However, there is an argument that most skills learning and development takes place in the workplace, and through experiential learning, without necessarily leading to qualifications.

### **Access to Training Packages**

One of the subsidiary objectives is "works with businesses to provide Australians with the opportunity to develop and use skills".

Training packages are substantial national intellectual property (IP), created by a partnership between Commonwealth and State/Territory Governments and industry (see Section 7). Business and industry are able to utilise the descriptions of job roles and functions, performance and knowledge components, and evidence (assessment) descriptions to develop internal and association training, which is not recognised by the system and current measurements.

Training Packages are a remarkably valuable resource, which could become far more valuable if there was broader understanding of the true nature of these national skills standards, and improved visibility to businesses and industry associations.

However, a key problem with Training Packages is the term "training packages", which relegates these valuable instruments as tools for Registered Training Organisations (RTOs) and the VET regulator. These documents are actually a collection of industry work standards, describing work outcomes, and the

knowledge required to deliver those work outcomes. Describing them as training packages, when they can be used for multiple purposes, creates ongoing confusion in industry as to why they would be responsible for developing training programs and methods and what they can be used for.

### **Access to Skills and Qualifications for Disengaged and Disadvantaged**

Critical subsidiary objectives which are clearly not being met, and are likely to be deteriorating, are:

- Accessible to all working Australians
- Accessible to, and meets the needs of, people experiencing disengagement or disadvantage who may need additional support, including young people, Aboriginal and Torres Strait Islander (ATSI) people, and people in certain locations

The overview of the VET Market (Issues Paper, Box 3, p16) notes that equity groups tend to be overrepresented in VET, suggesting that those are already in a position of equity look towards future life choices and lifestyles, while those in a position of disadvantage work to obtain a position of equity before further goals can be defined and obtained.

### **RRR Delivery**

The Industry Reference Committees supported by Skills Impact have strong connections to RRR Australia, including: Agriculture; Horticulture; Meat production and processing; Forestry and Timber Products; Conservation and Land Management; Seafood, Fishing and Aquaculture; Racing and Breeding; Landscaping; and Animal Care and Management.

Feedback from all IRCs uniformly reports the increasing difficulty of accessing skilled or partially-skilled labour, new entrants to their industries and VET services. The map at Figure 4 of the Napthine Report (Napthine, 2019, p20) provides a stark illustration of the clustering of Australian education providers in metropolitan areas. Half of Australian Local Government Areas have fewer than five out of the 12 Fields of Education available (Napthine, 2019, p19).

Skills Impact believes that if a formal study was undertaken, a finding would be that the higher-employing RRR industries are those that also operate in skill areas requiring comparatively higher levels of capital investment in training including equipment, land and buildings, if skills-based training programs relevant to the region are to be delivered.

Skills Impact has estimated that the costs of delivery can be double or triple that of delivery in urban areas for the same training, and higher still when compared under a unit cost basis, with the numbers of students available to participate in any particular program being much lower in RRR Australia. A real review of actual costs of delivering in RRR is hampered by the lack of programs offered due to the high costs and difficulties of delivery and the consequent lack of actual offerings, along with the higher rates of return for easier program delivery.

### **Aboriginal and Torres Strait Islander (ATSI) Participation**

Participation in VET by ATSI people has been increasing marginally, and there tend to be higher than average levels of participation in the Training Packages supported by Skills Impact, yet overall participation and consequent employment remains lower than acceptable (Ackehurst, Polvere & Windley, 2017, Indigenous participation in VET: understanding the research, NCVER). In 2019, The Aquaculture and Wild Catch IRC requested support from the AISC to find better approaches to encouraging engagement from ATSI people in the development of Training Packages (AWC Skills forecast 2019-2022, available at

[https://www.skillsimpact.com.au/site/skilliampactmedia/uploads/2019/05/ISF.SFI\\_SkillsForecast.2019-2022.Final.pdf](https://www.skillsimpact.com.au/site/skilliampactmedia/uploads/2019/05/ISF.SFI_SkillsForecast.2019-2022.Final.pdf) pp19-29). This proposal was rejected with feedback suggesting that this type of consultation should be treated in the same way as standard consultations, a suggestion that was clearly not supported by the evidence presented in the proposal, including the *2017 Productivity Commission Inquiry Report into Marine Fisheries* and numerous NCVER studies.

While the Joyce Report (Joyce, 2019) recognises this issue, there are no proposals to create mechanisms to engage ATSI people in the development of Training Packages, such as through the creation of an Indigenous Skills Organisation or a body that could support a review mechanism.

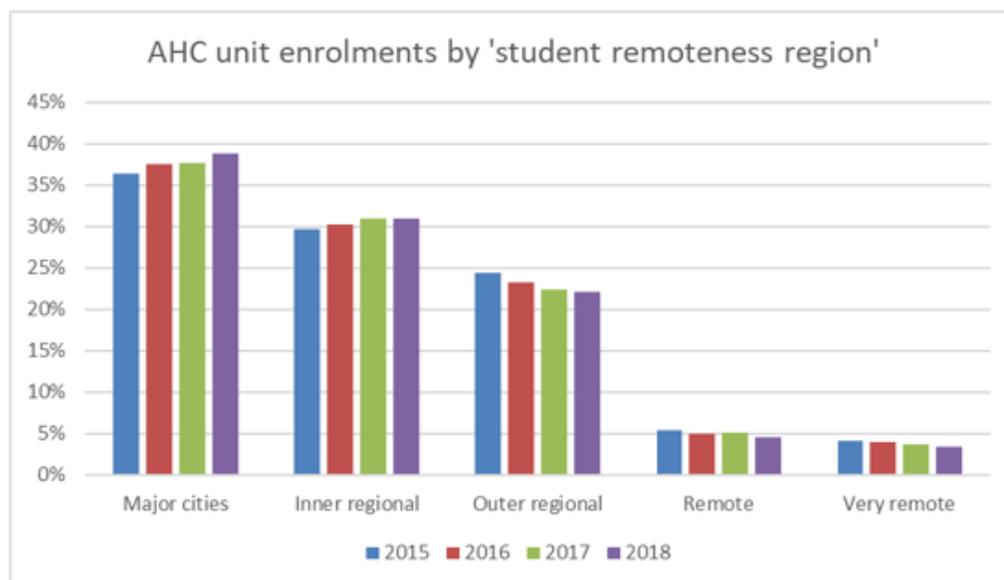
### Increasing Urbanisation

Evidence collected through consultations indicates that the impacts of automation and digitisation are starting to be felt in the relocation of jobs from RRR to urban areas. Work undertaken by the Regional Australia Institute seems to be suggesting that relocation decisions are now being taken based directly on workforce availability (see, for example, Regional Population Growth – Are we ready? The economics of Alternative Settlement Patterns, RAI, August 2019 [http://www.regionalaustralia.org.au/home/wp-content/uploads/2019/08/RAI\\_2019\\_RegionalPopulationGrowthReport\\_WebFinal-1.pdf](http://www.regionalaustralia.org.au/home/wp-content/uploads/2019/08/RAI_2019_RegionalPopulationGrowthReport_WebFinal-1.pdf)) (RAI, 2019). As noted in the Aquaculture and Wild Catch IRC Skills Forecast 2019-2022 (pp11-14, see link under ATSI participation), there is no reason why work taking place through remote centres could not be located in RRR areas, if there was suitable access to power, connectivity and workforce. Instead, these operations are increasingly being located in urban areas.

The need to create new “urban” cities in RRR areas, especially to support economic development in Northern Australia, has been the subject of recent work by the Business Council of Australia ([https://www.bca.com.au/playing\\_to\\_our\\_strengths\\_national\\_press\\_club\\_address](https://www.bca.com.au/playing_to_our_strengths_national_press_club_address)) as well as Developing Northern Australia and the RAI.

### The Agriculture Example

Agriculture is often seen in Australia as the heart of RRR Australia. Even in agriculture, there is increasing urbanisation and a rising urban-centrism of AHC training (see below). As a result, skilled practitioners are being pulled away from RRR areas. These are often ‘thin markets’ for training provision, particularly in outer regional and remote areas where a low population density can render it untenable for RTOs to operate or provide a broad range of educational programs. Where there are limited opportunities in VET, businesses are increasingly choosing to train staff on-the-job, which, in turn, further reduces the viability/demand for RTOs in these areas. The decision to train on the job also has productivity implications and if the transfer of skills is not complete, productivity will be lower in those areas further exacerbating the challenge of the competitiveness of RRR Australia.



Source: NCVET VOCSTATS TVA subject enrolments 2015-18

This impacts substantially on levels of VET student participation and attainment. While there is the desire and ability to enrol in VET programs, people in RRR areas have fewer options and opportunities than those in metropolitan areas, which means RRR students often need to relocate at considerable financial and social cost, or else travel significant distances (or simply pursue other options). Online and distance learning may be an option for students of various other disciplines, but the nature of VET and agriculture requires that the learner be on-site, in real farm conditions.

Another issue is accessing the skilled trainers and educators to deliver in RRR areas. The overall trend of regional-to-urban migration is reflected in many trainers' choice to relocate to the cities, where there is perceived to be a larger pool of training organisations seeking skilled employees at competitive salary rates. RTOs in RRR areas subsequently may struggle to employ people with industry skills that are complemented by local, contextual knowledge.

In addition to the logistical challenges (such as low internet connectivity and trainer development) for RTOs delivering in RRR areas, they must cater to different learning preferences, demographics and needs (such as language, literacy and numeracy issues). As Agriculture Victoria discusses:

*“Some groups may have difficulties undertaking the skills development they require because of where they live or their specific needs. This can include farmers working in remote areas, women, those new to farming, young farmers, culturally and linguistically diverse populations, Aboriginal and Torres Straight Islanders, and those considering transitioning out of agriculture.”*

Agriculture Victoria 2018, p.10, Victoria's Agriculture Skills Statement: Smarter, safer farms, [http://agriculture.vic.gov.au/data/assets/pdf\\_file/0009/438039/DEDJTR-AG-Vic-Smarter-Safer-Farms-Final-2018-Web.pdf](http://agriculture.vic.gov.au/data/assets/pdf_file/0009/438039/DEDJTR-AG-Vic-Smarter-Safer-Farms-Final-2018-Web.pdf)

## Information Request 3

*The Commission seeks views on:*

- ***whether the objectives and policy directions for the VET sector set out in the NASWD are suitable for the future and why***
- ***if currently-stated objectives and policy directions for the VET sector are suitable for the future, which should be given priority***
- ***if currently-stated objectives and policy directions are not suitable for the future, how they should be changed and evidence in support of proposed changes***

An initial question to be answered is whether the NASWD should set out a “broad objective for VET” or whether it should set out a broad objective for vocational skills, learning and recognition as a foundation for the productivity of the Australian economy.

The recent COAG Skills Council Terms of Reference describe the Scope of responsibility of the Council as including:

*“The vocational education and training (VET) sector is a responsive, dynamic and trusted sector that delivers an excellent standard of education and training. It provides strong economic and social outcomes and supports millions of Australians to obtain the skills they need to participate and prosper in the modern economy.”*

(COAG Skills Council Terms of Reference, 2019, <https://docs.employment.gov.au/documents/council-australian-governments-skills-council-terms-reference> )

This approach gives first mention to and emphasises the role of formal education and training (process) instead of the outcomes that should relate to job outcomes; role competency and proficiency; workforce productivity; and international recognition of Australia's quality industry and production systems. Describing the sector as vocational education and training isolates one element of a broader system, which has the potential to support and create artificial silos between higher education, RTO, informal and

short course training, and experiential learning, keeping in mind that experiential learning may be up to 1000 times greater in volume than learning through the formal VET system.

However, when it comes to the relatively small amount of VET training delivered across the nation, it is subject to widely varying funding, pricing and quality models, which specifically disadvantages the Vocational Education and Training sector (RTO delivered learning experiences). This is a particular concern as the Issues Paper identifies that one key objective is to address disengagement and disadvantage for those who may need additional support to access and participate in the Australian economy. Added barriers are experienced in the case of RRR areas (Naphthine, 2019). In terms of learning opportunities, the school and VET systems (especially workplace-based VET) are those most capable of providing the initial springboards to this additional support.

The focus on formal VET potentially inhibits innovation, flexibility and agility in the skills sector, even within particular parts of the system, such as the achievement of competency and proficiency. Based on undertaking consultations on behalf of IRCs, Skills Impact has been talking more broadly to participants in industry and also the vocational skills sector about the need to understand, incorporate and recognise the multiple pathways towards competency, in combination with the multiple career journeys that may be undertaken by workers.

## Competency is a journey and not a destination



Skills Impact simplified representation of the Journey of Competence

### Alignment of Objectives

There appear to be multiple and detailed statements of visions, objectives and priorities throughout the system, and there needs to be clear alignment of these. This alignment is not necessarily obvious to participants in the sector, and lead to work being undertaken in areas that may appear to be objectives or priorities to one body, but not necessarily another. One particular gap is seen in the alignment between “centred on quality teaching and learning outcomes” with the work and approaches of the AISC, including in the standards related to developing Training Packages (keeping in mind that Training Packages are really work and occupation descriptions describing how a competent or proficient person behaves at work, not how they need to be trained. Descriptions of work behaviour allow training providers to train to industry identified work standards. Training Packages are useful tools for training providers, but they are not packages of training).

The Issues paper already notes that the NASWD has objectives and broad objectives, and that the COAG Skills Council has recently released an updated vision, which has since been reinforced by the addition of priority work areas and goals as part of the VET Reform Roadmap, being:

- A review of VET Student Loans to ensure parity of access for students across Australia
- Work on the use of micro-credentials in the national VET system to better respond to student and job-need while preserving the importance of nationally-recognised full qualifications
- Work on quality and reforms to the Standards for Registered Training Organisations to move the system of regulation from its focus on compliance to focus on excellence in training

- Streamlining training packages to deliver more relevant skills for industry and individuals through immediate actions to make the current system faster, simpler and better. This will include immediate action to identify and remove all outdated and unused qualifications to improve the relevance and accessibility of the training system

(COAG Skills Council Communique, 2019, <https://docs.employment.gov.au/documents/coag-skills-council-communicu-november-2019> )

### ***The Training Package Standards Example***

In developing proposals to be submitted to the AISC for Training Package development work, Industry Reference Committees are required to specifically address a list of Ministers' Priorities, which are:

- Obsolete and duplicate qualifications removed from the system
- More information about industry's expectations of training delivery is available to training providers to improve their delivery and to consumers to enable more informed choices
- The training system better supports individuals to move more easily between related occupations
- Improved efficiency of the training system through units that can be owned and used by multiple industry sectors
- Foster greater recognition of skill sets

It should be noted that there is little or no focus in these Ministers' Priorities of objectives and subsidiary objectives outlined in the NASWD, such as:

- Meeting industry's needs promptly as the economy changes
- Accessibility to all working-age Australians (although the provision of "more information" aids this objective)
- Specific accessibility to meet the needs of people experiencing disengagement or disadvantage
- Centred on quality teaching and learning outcomes

Skills Impact would suggest that there are many examples where priority actions and goals are identified which:

- Isolate individual elements of the system without putting them into a broader context
- Focus attention on processes and the formal vocational education and training system, siloing the VET system to the detriment of employers, learners, RRR communities and, in particular, the disengaged and disadvantaged
- Create a clash between the needs of industry and learners with the needs of government

### ***The Australian Qualifications Framework Example***

The Australian Qualifications Framework (AQF) should be primarily concerned with recognition of skills and knowledge, as assessed through competencies and learning outcomes. Instead, it appears to be primarily focused on education and training, and this is embedded in AQF objectives, with four of the seven directly referring to "education and training".

Skills Impact suggests there should be greater emphasis on the other objectives, and on the overarching approach of ensuring that learners with skills, knowledge and proven competencies are able to have them recognised through a formal certification. The AQF is currently unbalanced: Too much focus on education and training delivery, and not enough emphasis on assessment of skills, knowledge and competencies regardless of how they are learned, most often being experientially and not part of any formal education and training system.

A limitation of the AQF is the appropriate identification of "relevant approved" bodies to issue qualifications. These are intrinsically linked to education and training institutions, rather than to bodies that can appropriately assess skills, knowledge and competence (which would be a broader category including industry-based organisations as well as the current education and training institutions).

Given this reform may be needed to the foundations of the AQF. The hierarchical and apparently linear structure, and the over-emphasis on education and training, inhibit the required flexibility. It should be clear to all stakeholders in the AQF, including learners, regulators, training providers and industry, that

the AQF is flexible and designed to recognise each attainment of a set of skills, knowledge and competencies that are relevant to workforce and social roles, rather than an ever increasing, unidirectional body of knowledge and skills.

Recommendations of the recently completed AQF review (Noonan, 2019) would partially address some of these issues.

## Information Request 4

- **What evidence (other than that included in the Report on Government Services and Performance Dashboard) is available to assess performance against outcomes and targets in the NASWD?**
- **What has affected the achievement of outcomes and targets to date, and how?**
- **Do current indicators and targets provide the right information to assess performance? For example:**
  - **are the indicators and targets fit for purpose — are they reasonable and attainable; do they adequately reflect contemporary policy settings?**
  - **how well do the outcomes, performance indicators and targets link to each other and the objective?**
- **How are performance data interpreted and used?**
- **Are there other areas of performance that should be measured and, if so, why? What types of indicators should be adopted for these areas?**
- **What should a future performance framework look like and include?**

There should be a greater focus of measurement on industry and skills goals. Currently there are significant limitations on the available data.

In relation to the VET system, performance would need to be reported on a number of measures developed in consultation with the states. Some suggestions include:

- Dollars of funding available per head of workforce population, year by year, state by state
- Cost of qualification delivered
- Actual delivery costs per head based on course delivery costs on a regional and remote basis
- Level of delivery per head of working population regional and remote vs capital city

Performance measures, in their broadest presentation, as on the Australian Government's 'Performance Reporting Dashboard (Australian Government, 2019, *Performance Reporting Dashboard*, <<https://performancedashboard.d61.io/skills>>), do not account for variables such as regional differences. For example, 'employment' outcomes may be greater in urban areas than rural areas. In their current form, performance measures display a 'flat' picture of what is an extremely varied landscape, making policy interventions difficult to formulate.

Furthermore, the current definition of the 'VET system' is too narrow because one of its key elements, funded by the commonwealth government and developed with input and agreement from industry structures across Australia, Training Packages, are not descriptions of RTO delivery and assessment but *industry work standards* describing work outcomes and the knowledge required to deliver them (this point is expanded in **Information Request 7**). As such, the 'VET system' is used by individuals, institutions, businesses and associations *without* enrolling with an RTO, perhaps to inform in-house training or current workplace practices. As NCVET have noted:

"As unaccredited training sits outside the mandatory reporting requirements of the nationally recognised accredited training system, administrative data relating to its use are not systematically collected in the National VET Provider Collection, therefore the true extent of its uptake in Australia is largely unknown."

(White, De Silva & Rittie, 2018, p.3, *Unaccredited training: why employers use it and does it meet their needs?* NCVET, Adelaide)

While there would be various challenges in attempting to construct a coherent data set/evidence base around unaccredited training, there are both qualitative and quantitative indicators of the value of the VET system that are not being collected.

For example, most training in the pulp and paper manufacturing industry is unaccredited, with accredited training mainly used for licensed occupations (Skills Impact, 2018, *Pulp and Paper Manufacturing Industry Sector IRC skills forecast and proposed schedule of work 2018-2021*, [https://www.skillsimpact.com.au/site/skilliampactmedia/uploads/2018/05/ISF.PPM\\_IRCSkillsForecast.2018-2021.Signed.pdf](https://www.skillsimpact.com.au/site/skilliampactmedia/uploads/2018/05/ISF.PPM_IRCSkillsForecast.2018-2021.Signed.pdf)). This is due to several reasons, including few RTOs having Pulp and Paper Manufacturing Training Package qualifications on scope, large businesses' human resources and training departments using their own trainers and training materials, and smaller companies designing internal training programs. Regardless, companies of all sizes have confirmed that their training is based on the qualifications and units of competency from the PPM Pulp and Paper Manufacturing Training Package, which adds value both to workplace processes and worker's professional development (and therefore transferability). In this way, the value of the 'VET system' is enhanced, but this is not reflected in any statistical reporting.

One way in which performance indicators could more succinctly reflect the true capabilities of the Australian population is if the RPL (recognition of prior learning) and RCC (recognition of current competency) processes were improved. Certainly, following workplace training and experience, people may possess capabilities corresponding to higher-level qualifications (Certificate III and above), but may not seek recognition of prior learning/competency because of the onerous task of proving it. Streamlining these processes would likely result in a greater proportion of working age Australians with Certificate III-level qualifications and above. As previously pointed out, with RPL and RCC access 100% controlled by training providers, it is not surprising that participants in the VET sector are offered training and very poor or no access to RPL or RCC services or such services are offered at a similar price (sometimes higher) to attendance at a training course.

## Information Request 5

- ***How well does the NASWD describe the roles and responsibilities of governments in skills and workforce development? Could this be improved?***
- ***How well have the Australian, State and Territory governments fulfilled the agreed reform directions and their roles and responsibilities?***
- ***How could governments better work together, for example, to improve the efficiency of tasks, or support accountability for outcomes?***

### Reform Directions

Skills Impact would suggest that with recent changes to the Training Package development system, and the introduction of the Industry Reference Committees (IRCs) and Skills Service Organisations (SSOs), that improvements are starting to be seen in:

- Increasing industry's engagement with the VET sector to ensure training outcomes are high quality and relevant to the needs of employers (further organic improvement is likely if the current system stays in place for a further period – see Sections 7 & 8)

Skills Impact would suggest that the evidence indicates the some of the Policy Reforms are not being achieved, and some may be deteriorating, including:

- Improving training accessibility, affordability and depth of skills (other than in depth of skills – see Section 2)

- Improving training participation and qualification completions (relating to qualification completions – see section 9)
- Strengthening the capacity of public and private providers and businesses to deliver training and support people in training
  - Deteriorating in RRR (see Section 2)
  - Business training delivery is not appropriately recognised (see sections 3, 8 & 9)
- Streamlining the Australian Apprenticeships system (strong deterioration – see Section 18)

## Information Request 6

- *How well have the intergovernmental arrangements instituted under the NASWD worked?*
- *Is an intergovernmental agreement still required, or the best instrument, to promote collaboration on policy directions and reform, and accountability for outcomes?*
  - *If not, what alternative mechanism(s) would be suitable?*
- *If so, how should its overall form and structure differ from the existing agreement?*

### System Leadership

It is entirely appropriate that the VET system is governed and controlled by those that fund it, specifically the States and the Commonwealth. The VET system is managed and led by the Commonwealth government, State governments, the national regulator and registered training organisations. Employers and other industry personnel are customers of the system, not leaders (see Section 8).

A key learning of the last few decades has been that without a leadership body, the VET sector drifts and reform is very difficult, including ongoing improvements. The Australian National Training Authority (ANTA) had the most influence and power and this was used to good effect in its first few years of operation, but unfortunately this power was misused as ANTA tried to “push around” various elements of the system, including a disregard for State roles. ANTA lost its way and needed (with good reason) to be shut down. After a gap of a few years, other bodies followed it, but these bodies lacked scope, resources and influence/power to affect change. The roll-out of the National Industry Training fund was a very good use of such an organisation and helped to drive change of training across industries. The proposed National Skills Commission may be an appropriate body to fulfil this leadership role.

Based on experiences over the last few decades, it is unlikely that the NASWD could establish a national approach without having more authority than governments are prepared to give up. Under the current NASWD, the states were unable to agree to a uniform regulatory approach, or a uniform adoption of national training products. Given this, is there a realistic possibility that the NASWD, or any other mechanism including the proposed National Skills Commission, could create a nationally agreed strategic and funding approach without having the actual authority to implement it?

The sector is tired and dispirited by the continual allocation of scarce funds to achieve unrealistic goals: achieving national regulatory and training product approaches are much more realistic than achieving a national funding approach.

There is no evidence to support a view that a national approach with leadership supported by all levels of government can be established to provide the foundations for long term, sustained strategic direction and funding approaches. For this reason, Skills Impact would suggest that instead of continually trying to invent a system that clearly cannot be invented, a framework approach is taken to establish stable foundations for a skills and productivity system which can then be used as the basis for innovation and agile development. The current NASWD does not meet this description.

# Information Request 7

- *Does the current division of joint and jurisdiction-specific policy approaches (and approach to managing the associated tensions) produce the best outcomes?*
- *Is the current market structure efficient, and is it well-placed to meet Australia's current and future skills and training needs?*

## Overview

The robust VET Quality Framework has been an effective long-term investment in Australia's capacity by Government and industry. Recognised internationally, the framework brings together all states and territories into a system that maintains flexibility, while ensuring that industry skills are benchmarked nationally. It helps to support training delivery in all parts of the country to meet industry needs. It supports national consistency in the way RTOs are registered and monitored and in how standards within the VET sector are enforced.

A competitive edge for any nation is the ability to develop and add value to their human capital. Governments' recognition of the need to subsidise training for the benefit of the whole economy is important to assist both individuals and businesses invest for the future. Most individuals gain a benefit from formal skills formation they undertake, however businesses investing in skills of their employees are at risk of losing the value of that investment. The economy ultimately benefits from the investment made by those businesses prepared to spend on training. Businesses should be incentivised to invest in their staff, as compared to businesses that do not. Businesses that do not invest in training their staff still benefit from access to a skilled labour market that has received contributions by way of training effort from other businesses. A level playing field would compensate in some way (perhaps via tax incentives) businesses that make an effort in formal training as compared to businesses that do not.

## Defining the VET market

The issues paper refers to the VET market, but given the stated objectives of the NASWD, how is this market defined? Is it:

- The Skills market – employers compete for workers with appropriate skills
- The Education market – formal education providers (Universities and RTOs) compete to provide formal qualifications
- 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 economies – in which areas within Australia at State, Local Government & RRR level compete to attract population, workers and industries

A critical analysis requirement is to work out where the benefits of these markets are going. For example, Northern Australia produces 54% of all Australian exports, covers 52.7% of the Australian Land mass, attracts 43.7% of investment in Australia, creates 11.7% of Australian GDP with only 5.5% of the population and 5.4% of Australia's employment (Developing Northern Australia, 2019). Yet most of the economic benefits are delivered to urban Australian and international economies. It is not enough to simply look at market operation on a national scale, there is a need to look at the VET market at local and RRR levels.

## The Value of Training Packages

Training packages are substantial national intellectual property (IP), created by a partnership between Commonwealth and State/Territory Governments and industry, with the clear majority of vocational jobs having a skill descriptor (unit of competency) and work roles (job outcomes) described through qualifications and skill sets.

One of the largest challenges with training package development is the term "training packages", which relegates this valuable work to a tool for RTOs and the regulator. These documents are actually a collection of industry work standards, describing work outcomes, and the knowledge required to deliver

those work outcomes (AISC Training Package Development and Endorsement Process Policy, 2016 <https://docs.employment.gov.au/documents/training-package-development-and-endorsement-process-policy-0> ) (AISC TP Policy 2016). Units of competency represent ways of working, including discrete work functions across our economy. As such, they reflect the complexities in the way in which work is completed.

### **Training Packages – Clash between Industry and System Goals**

Due to the engagement with industry, new units are developed to meet new ways for working, but at the same time it's almost impossible to delete units that describe older methods of work that are still in use – not all businesses work in the same way at the same time. For example, larger seafood companies like Tassal and Huon are well-advanced in utilising automation, leading to a need for training to be designed around Fishtech and Aquabotics, but job roles requiring skills without the use of advanced technology have recently been updated and approved by industry, the IRC and the AISC to meet the current needs of industry, including with these two major employers (further information available at <https://www.skillsimpact.com.au/aquaculture-and-wild-catch/training-package-projects/fishtech-and-aquabotics-project/> ).

Industry, as represented by Industry Reference Committees and supporting bodies that develop and endorse Training Packages, often do not see value in, or support, reducing the number of units when they still describe how work is currently done.

However, there is considerable system pressure to reduce the overall number of qualifications and units in the system. SSOs are increasingly being asked to assist IRCs to identify low-to-no enrolment units of competency (which define the usefulness of such units only in terms of training enrolments – see Section 16) and to justify the retention of these units. This changes the focus from the strategic need to respond to changes in industry and to meet new work requirements, requiring additional work without any addition to resourcing or systems.

This is clearly a result of the tension between the term training packages, which describe job roles across Australia for all industries, vs the training system, which only provides training where economically viable.

### **Training Packages by Another Name**

Describing them as Training Packages, when they can be used for multiple purposes, creates ongoing confusion in industry as to why industry would be responsible for developing training programs and methods. The Training Package title provides a barrier for industry engagement as industry views these documents as RTO products. It is our view that the title encourages engagement by RTOs as it appears as though they are training related, and not documents created by industry for industry.

The AISC TP Policy 2016 specifically notes that there are multiple uses for Training Packages, but they *“do not prescribe how an individual should be trained”*.

Training Packages should be renamed Industry Work Standards or similar to affirm industry's role as being responsible for developing workplace standards. Development of “Training Packages” could then be accurately identified as the domain of training organisations.

Before training can occur, RTOs must “translate” the training packages by developing instructional materials to help learners attain the required standard. RTOs should be free to create and manage student journeys that deliver agreed outcomes useful to both industry and the student.

Units of competency are being used to try and straddle the gap between work skills, standards, licensing requirements and training processes, but the fact is they do a poor job at this. The methodology for development of units of competency is not focused on training delivery - it is focused on describing actual work functions in industry. However, the Training Package product is then used for enrolments and recognition of performance, through qualifications, skill sets and units of competency.

### **The Impact on Training Providers**

Training providers collectively struggle to deliver and be audited against 18,000 discrete units of competency, and many units end up never being delivered despite describing job functions that continue to be relevant in the workplace.

Recognising that units of competency are work standards, should lead to a conclusion that there is no place for enrolment, recognition and regulation that ties each training provider to deliver learning processes in a manner specific to each unit of competency. This form of regulation is a major impediment to efficiency and effectiveness of the VET system and goes against all pedagogical values.

To better enable RTOs and learning designers to function effectively, they need the ability to design learning programs that deliver against the work standards described in the Training Packages, but in ways that are suitable to delivering the required level of competency for work roles and functions. The current system leads to learning programs being designed around delivering specific and separated units of competency.

In essence, a qualification is a job role and a unit of competency is a job function. The use of the terms “qualification” and “unit of competency” gives the clear indication that these are training deliverables rather than competency outcomes. Student journey, enrolment, delivery and funding are then all modelled around these specific training products, where the job roles and job functions could and should be delivered in the most appropriate way for the learner and employer. It is extremely likely that in the vast majority of situations, flexibility of design will result in different models of learning and of training delivery, based on the needs of customers (learners and employers) in local and regional, state and territory, and national considerations, depending on the business model of the training provider.

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 of 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.

And even though each RTO participates in Training Package development 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. Each RTO 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

Greater flexibility and a national approach would encourage the development of training against groups of units. National documents developed for some industries and sectors with a focus on the broad skills and underpinning knowledge required to perform work, i.e. the training outcomes, which are necessarily different from work outcomes. These could be in the form of national curricula or sets of National Skills and Training Materials which could be developed by Skills Organisations (SOs)/SSOs in consultation with RTOs, to ensure consistency with Industry Work standards.

While the current model removes these costs from the government and pushes them down the system, the costs are magnified many times over, and greatly increase the risk to maintaining national consistency. Instead we suggest that this work could be done once, nationally, in consultation with RTOs and held on a nationally accessible repository.

# Information Request 8

*The Commission seeks evidence on how the issues identified in recent reviews (or other issues) have affected the achievement of aims in the NASWD, and any additional opportunities to better meet governments aims for the VET system. For example:*

- *are there ways to improve VET service quality and responsiveness in addition to those already identified in past reviews?*
- *how effective are consumer protection arrangements? What are the pros and cons of different models operating in different jurisdictions? How do these operate in addition to national protections under consumer law?*

*“The proposed changes will strengthen industry’s role at the heart of the system so relevant skills are developed through quality teaching and experience in workplaces”. (Joyce, 2019, p30)*

Recent systems, regardless of their design, have been described as industry-led, yet industry has had limited influence in critical parts of the system commonly called the Vocational Education and Training system. The name “VET sector” itself, referring specifically to education and training, and not to skills and job outcomes, should indicate that the claim that industry plays the key leadership role is overstated.

Industry has key inputs into identifying skills needs and the skills required to undertake job roles, which should then form the basis for outcomes achieved by the VET sector. Industry also has a critical role as a consumer of services designed to deliver vocational skills.

However, industry has very little say in: the formats used to describe these outcomes, which become units of competency; the delivery of training; or in how training is funded. Nor do they currently have a role in the assessment or recognition of achievement of formal qualifications, which in turn may be disconnected from actual job proficiency (Joyce, 2019).

The roles played by industries are generally in the development of units and competencies and qualifications, which are key but small drivers of the system as a whole, as evidenced by being funded at approximately \$100 million per year within the \$6-7 billion spent annually on formal education and training delivery through Registered Training Organisations (RTOs) (NCVER and Skills Impact estimate).

As noted earlier, it is entirely appropriate that the VET system is governed and controlled by those that fund it, specifically the States and the Commonwealth. Employers and other industry personnel are customers of the system, not leaders.

When industry is led to believe they are the leaders of the system, they become disillusioned and demotivated. Despite this, industry members continue to recognise the importance of the work and the support from Government, within the particular areas in which they have influence. Industry is not disengaged with the development of units of competency and qualifications. They are sometimes (or often depending on the sector and region) disengaged by the services they receive, or do not receive, due to lack of viable delivery options from RTOs. A truly industry-led system would have industry involved at all stages of the system, not just at the start.

## **Timeliness of Qualification Development**

There is justifiable concern about the issue of speed to market. Skills Impact performs the role of an SSO and has, for the last three years, been reviewing a range of units of competency and qualifications, many of which have not been properly reviewed for more than 12 years. Changes over that time have largely been to formats, and not responding to industry and workplace need for skills changes.

It is clear that in some areas the previous system of training package development did not review training packages in a timely manner which meant the system was very slow to respond to changes in work practices and technology advances. However, under the current IRC/SSO model, units of competency and qualifications are being reviewed and updated more regularly. As a result, many of the speed to

market concerns have already been addressed but are not yet recognised as being addressed. Nor has the IRC/SSO system been in place long enough to develop a body of evidence to support this, and the organic improvement of speed to market is only just starting to make an impact as the system settles into its rhythm.

All players in the system are frustrated by a system where many small but important changes that could be done quickly cannot be made because they do not meet the definition of being “minor”. As a result, these changes take two years or more to make.

The current system is bedevilled by a lack of trust at every level. Industry needs to be extensively consulted (lack of trust in the IRC), the states need to be consulted, they in turn consult their industry networks (lack of trust in the consultation process), and then the AISC will often question the outcome (lack of trust in the process of consultation, the quality assurance panel, States/Territories and the IRC). Speedier resolutions are possible if we could ensure each player in the system trusted that the work, they are reviewing has been carried out properly (perhaps by recognition of the evidence of consultation as being sufficient).

Another key issue that affects speed to market is the amount of review, support and endorsement that needs to take place in order for a change to be approved. Skills Impact contends that the bureaucracy associated with the endorsement process is a major barrier slowing the system down, not the substantive industry-led development process where the greatest percentage of time should be focused. Again, evidence to support this has not yet been established, and bureaucratic support systems haven't had time to adjust to new methodologies and requirements.

Skills Impact made recommendations to the co-design process for Skills Organisations being undertaken as a result of the Joyce Review (Joyce, 2019) that include:

- Create an express pathway for certain categories of change. The criteria could be for changes that are reasonably straightforward, that might be contained to changes to a skill set or three or four units of competency that has a lot of established industry support.
  - Alternatively, a system that places greater trust in the participants could be designed for changes to be implemented as soon as approved by an IRC (or similar body). Changes would be a natural part of the development and endorsement process, and formal approval by higher level bodies would only be required when they are defined exceptions.
- Create a faster endorsement route on the work required to make any necessary changes in order to keep up with new work standards and technology, as identified by industry and supported by the appropriate IRC
- Survey IRCs, the current structure for industry representation, about speed to market with regards to training package work carried out over the past three years to determine firstly, if this problem has largely been addressed, and secondly, their views about allowing simple, but significant, changes through an express pathway

### **The New Skills Timeline Paradox**

When new skills or disruptive skills are introduced into the workplace, there is a demand for training for those skills so that workplaces can use them effectively: However, there may not be the capacity to either develop or deliver training as those who know the new or disruptive skills are involved in production in the workplace. To develop new units of competency to support training, Skills Impact needs access to industry expert participants who can outline the job roles and functions, as well as standards of competency. To deliver training, RTOs need access to trainers with both industry and training credentials. These factors delay the availability of training on a broad scale through VET, initially requiring internal or supplier-provided training (unrecognised by the system) to establish the work method in the workplace to productive levels. A critical mass of the workforce with the knowledge and skills of the new or disruptive approaches is required before training package development and RTO delivery can take place. However, employers need the training as quickly as possible to support widespread introduction of the new or disruptive skills.

Medicinal cannabis is a new industry segment in Australia, which is in start-up phase. While many of the skills are shared with other horticulture and cropping activities, there are elements of operations that are unique to medicinal crops, especially around security, production compliance and quality, and care and maintenance of the plants. Despite receiving approval to go ahead with the project to develop work and skills standards to support this industry, the project had to be delayed because industry participants were too busy working in the start-up enterprises. As a result, this project has only recently started, and the training package foundations for RTOs to design their learning programs won't be available until the middle of 2020. The question that will arise after this, is where RTOs will obtain suitably qualified trainers and assessors.

Bioprocessing in pharmaceutical manufacturing is an established method of working internationally but is not widely used in Australia. A number of State governments have made strategic decisions to encourage the establishment of advanced pharmaceutical manufacturing in Australia, which will include bioprocessing. Skills Impact received approval to undertake a project to develop training package support for bioprocessing two years ago yet is still struggling to identify appropriate industry experts with the available time to help develop the training, and similar issues are arising as with the medicinal cannabis training.

Advanced technology is already being used in aquaculture and wild catch fishing, generally by the very large employers at this stage. Australia's two largest employers in this industry, Tassal and Huon, have generously agreed to provide staff time and resources to support the current Fishtech and Aquabotics project, designed to introduce training suitable for advanced technology. As far as possible, new skills are being incorporated into existing units of competency, so that training and assessment can take place utilising either on-site or remote technology environments. This will ensure that current skills which are still widely used in the industry and will be required for at least the next five years, will still be supported by current training. It will also hopefully help to address the subsequent issue of availability of trainers, as current trainers already hold the required credentials and can be upskilled to use the new technology.

## Information Request 9

- ***How effective are skills needs assessments as a basis for estimating demand for VET services?***
  - ***How do governments' skills needs matching efforts alter student demand for VET?***
  - ***Are priority skills lists the best way of signalling skills shortages?***
  - ***How could nationally-consistent skills demand forecasting be implemented to better match training to the economy's needs?***
- ***Noting that the National Careers Institute will cater for students' needs, do other market players have access to information to efficiently inform their choices? If not, how could this be improved?***

### **Skills Needs Assessment only for VET?**

This information request has an underlying assumption: That skills needs assessment are being undertaken for the purpose of or to assist in the estimation of demand for VET services.

Skills Impact has an involvement in the skills needs analysis undertaken by Industry Reference Committees, which are published in Skills Forecasts. Skills Impact does not have an involvement in State, Territory and regional work undertaken by Skills Commissions and Industry Training Advisory Bodies, though we consult closely with some of these bodies (usually in the smaller States, Territories and regions). Nor do we have significant involvement in the multitude of other processes and avenues used to identify and make funding decisions about skills needs, including parliamentary inquiries, investigations by government and statutory authorities (including the Productivity Commission), funded Industry Research bodies, Cooperative Research Centres, industry and professional association (member-based) programs, Skilled Occupation List development (Federal and jurisdiction) and other influencers.

The Skills Forecast work carried out by Skills Impact has the primary purpose of identifying changing industry skills needs, and to define job roles and functions associated with those skills. The forecasting is translated into new work in Training Packages, which can be used for multiple purposes, only one of which is VET delivery. This includes the design of in-house or informal training, and decision concerning importation of skills. As a result, the work undertaken by Skills Impact does not provide a specific basis for estimating demand for VET services.

### **The Potential Role of the National Skills Commission**

Skills impact believes the coordination and collation of skills needs analysis should be an important function of the proposed National Skills Commission (NSC). The Commission may 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 ANZIC codes, and Skills Occupation Lists. Current efforts to improve skills needs analysis are hampered by poor job identification and data sources which are unreliable or poorly defined. A case study of this is available in the ACM Animal Care & Management 2019-2022 Skills Forecast available at [https://www.skillsimpact.com.au/site/skilliampactmedia/uploads/2019/05/ISF.ACM\\_IRCSkillsForecast.2019-2022.Final\\_.pdf](https://www.skillsimpact.com.au/site/skilliampactmedia/uploads/2019/05/ISF.ACM_IRCSkillsForecast.2019-2022.Final_.pdf)

Importantly, the NSC should look at skills across the economy, as distinct from focusing on the VET Sector. Industry works more than 20,000 billion hours each year (2017 ABS figures) and the VET sector delivers less than 1 billion hours of delivery each year (750 million on 2017 NCVER figures). If you conservatively estimate that 5% of hours worked are worked by people learning their role industry (i.e. being shown what to do and then slowly practicing the activity with feedback and supervision until a new skill is developed), this equates to 1000 billion hours of worktime in industry being spent on learning each year. This is 1000 times larger than the output of the VET sector and highlights the importance on focusing on learning in industry. It is important for the NSC to work out how to improve the quality of that learning and capturing this to record skills development across the nation.

There's more than one economy in Australia. It is also important that the NSC does not take a purely national approach. By focusing on the national picture, we lose sight of the local implications that can be devastating to local economies, small and family businesses, especially in RRR areas. An unintended consequence of a nationally consistent approach may be the increasing urbanisation of job roles (RAI, 2019). An additional issue that may need to be considered is whether skills forecasting can better match training if training won't 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 Impact sees the biggest risk to the performance of the NSC is that it becomes hijacked by pursuing a VET funding agenda and neglects the much larger picture of skills development across all industry. Skills Impact recognises the importance of a body similar to the NSC with the mandate to provide advice to all levels of government concerning funding and pricing models, however it is unlikely that any such body would be given decision-making authority in relation to VET funding and pricing. There is an argument that skills needs assessments are of such importance, that there should be a separation between the proposed NSC functions relating to skills on one hand, and VET funding and pricing on the other. Currently, Skills Impact supports this dual functionality as being within the authority of the NSC, however there should be clear guidelines for operations to avoid the risk of focus on funding at the expense of skills needs.

### **The Micro-credential Systemic Issue**

A systemic issue that needs to be considered is the role of Skill Sets and other micro-credentials. The AQF Review (Noonan 2019) noted that "Future workers are increasingly likely to access formal, non-formal and informal learning through a process of lifelong learning. The availability of courses to meet this

need is likely to increase rapidly". In spite of this, the AQF Review did not recommend the formal recognition of Skill Sets and other micro-credentials.

These options are being increasingly utilised by learners and employers (Noonan 2019), and are also being used to aid up-skilling, retraining for workers facing redundancy and in filling skills needs through training related to skilled and unskilled migration (where short-form training is often suitable to meet visa training requirements).

The lack of recognition of micro-credentials as some form of accredited achievement at a relevant AQF level will continue to create a barrier between industry and training, and lead to additional use of non-accredited training, albeit based on the national training package. While this approach may result in competent industry participants, it will fail to achieve some of the goals sought by the system, including international recognition of Australia's training and industry sectors. As an adjunct, it is clear that the focus on enrolments and RTO training, along with the regulatory approach of compliance bodies, has meant that the Recognition of Prior Learning System is clearly failing many industries.

The needs of the industry require the use of shorter form training, yet the overall system is established, regulated, funded and monitored on the basis of achievement of full qualifications, with even the recent AQF Review failing to recommend the formal identification of Skill Sets for anything other than credit on a Recognition of Prior Learning or Recognition of Competency pathway.

It can be logistically and financially difficult to access and deliver full qualifications in a timely manner in RRR areas, particularly in remote and very remote communities, which already often face disadvantage. In addition, models of work on which the VET system is based, and which are appropriate for urban areas, may not be suitable or available in RRR locations. Learners who are disengaged or disadvantaged may benefit from the more flexible approaches available through micro-credentialing, but will not receive the benefit of formal recognition of qualifications as a result.

The Specifications for Qualifications included in the AQF inhibits the attainment of personalised qualifications (whether learner or industry driven) and the use of short courses, MOOCs, industry training and short-form approaches to achieve qualifications, creating a barrier to achieving a qualification which may include skills, experience and competencies at varying "levels" of the AQF. The AQF review (Noonan, 2019) noted seven potential requirements for shorter form credentials to meet minimum requirements for inclusion in the AQF, and decided to adopt an alternative approach. Skills Impact suggested the review consider alternative approaches, focusing on the qualification rather than the means to attain the qualification. The qualification may need to meet the seven minimum requirements outlined. Whether a learner utilises self-directed learning, short-form training, industry-based training and experience, or enrolled training in either a formalised program or a series of selected, individualised courses, should not be the deciding factor in whether a learner should achieve a qualification.

The failure to recommend the formal recognition of micro-credentials does not appear to meet the stated objectives of NASWD and flies in the face of the increasing preference for this type of learning among students and employers. There are also increasing moves for governments to fund micro-credentials and skills sets, including the use of training that is not nationally accredited. It also puts RTOs at distinct disadvantages compared to all other formal and informal operators, given RTOs must meet independent compliance requirements and receive access to funding through enrolments in full qualifications.

## Information Request 10

- ***How have the reforms undertaken by governments (such as the national entitlement system and introduction of income-contingent loans) shaped the operation of the VET market?***
- ***How well have these reforms contributed to the achievement of the NASWD's aims (such as improved access, quality and market efficiency)?***

- **What lessons can be learned from past reforms?**

Skills Impact does not have information to add in this section.

## Information Request 11

- **To what extent do (and should) users (students and employers) determine VET offerings?**
- **How are users' preferences influenced by government incentives and programs (including information programs)?**
- **To the extent not covered elsewhere in this paper, the Commission seeks additional evidence on how well the VET market is operating, for example in terms of:**
  - **services being of the quantity, type, quality and location that users and the community most value**
  - **its efficiency in meeting users' needs, including as they change**
  - **prices usually reflecting efficient costs, or this amount adjusted to achieve other policy objectives.**
- **How can governments best ensure the market develops to support policy goals?**
  - **How do (and should) governments coordinate and manage the interactions between different types of interventions and initiatives to support market development?**
  - **Is there a preferred model for market stewardship? Why?**
- **If agreed by governments, how would implementation of the recommendations of recent reviews (for example, the Joyce and Noonan Reviews) improve:**
  - **the operation of the VET market?**
  - **choices and pathways between schools, VET and higher education?**
- **Are there any issues not identified by previous reviews that materially affect the operation of the VET market?**

### The Industry Reference Committees' Perspective

The evidence collected in Skills Forecasts and other reporting from IRCs indicate that students and employers are having less influence on VET offerings, particularly in RRR areas and in thin markets.

A range of factors have been identified that may be influencing this change, including:

- Funding models that preference high-enrolment, urban, online and virtual RTO delivery, ahead of industries with high-level skill needs, high-level risk environments, RRR locations, and provision of services to disengaged and disadvantaged people and communities, which manifests in RTOs taking qualifications off-scope and offering limited formal training
- Delivery issues, and in particular the inability to find RTOs to deliver in RRR areas, and the lack of available, fully qualified assessors in various industries
- Delivery issues related to the costs of delivery of formal training, and in particular the need to bear the expenses of assessment and training materials, on top of very significant capital expenditure and expenditure on compliance, especially relating to industry regulation and safety requirements
- Delivery issues related to the inability to access supported training through funded apprenticeships and traineeships, as well as other potential support, given the changing structures of the industry and the nature of work within industry: for example, in industries where many participants are sole traders operating on a fee for service model working for multiple clients across jurisdictions, which is not consistent with supervised learning models currently being used in the VET system
- The use of non-accredited training, either to address delivery issues or to enable timely up-skilling of industry participants (especially without attempting to navigate the complexities and difficulties of Recognition of Prior Learning)
- The outdated state of training packages prior to the work carried out over the last three years, and the need to be able to deliver the new training, which is being hampered by delivery issues noted above

- RTOs often face extensive work and increased costs in updating assessment and training resources and meet compliance requirements to get updated qualifications on-scope, as a result of the acceleration in the updating of qualifications in the last three years and extensive changes (often non-equivalent) resulting from the lack of appropriate updating prior to the current system being introduced
- Industry-wide deficiencies in being able to attract new (especially younger) participant workers to the industry, especially in the occupations that are related to VET qualifications

In the current environment, Industries have been unable to implement proposals that may address some of these issues, such as:

- Recognition of the real access issues facing thin markets, especially in regional, rural and remote areas, and to consider whether the recommendations of the Napthine Report (Napthine, 2019) will help address the complexities, costs, connectivity and other issues that are influencing access to assessment and training
- Assessment to be available using more flexible approaches involving peer and workplace assessment focusing on competence and the ability to undertake the job roles and functions, moderated by assessment expertise available from multiple sources (eg Universities, schools, qualified workplace assessors, in addition to RTO/Cert IV TAE assessors)
- The remodelling of apprenticeships and traineeships to suit new work approaches, including the “gig economy” and fee for service, potentially based on multiple supervisors and workplace learning across jurisdictions and clients
- Obtaining support for the development of nationally available and consistent assessment tools and training materials

### **The RTO Scope Decision**

Once a reviewed training package is placed on training.gov.au, RTOs need to decide whether to commit to investing in new resources to support delivery. This decision is based on return on investment (ROI) consisting of factors around likely student numbers, government subsidies available for the students, and the cost of development and delivery of the training. If these factors do not line up in the appropriate fashion, any rational RTO will question if they should continue to offer this training to industry. SSOs and industry are finding more and more situations where RTOs are deciding that the viability equation does not work, and it is not worth the effort, time, risk and financial investment to deliver into thin and/or high cost markets.

RTOs now focus on delivery in areas in which they are best able to meet demand under the current industry settings. It is therefore not surprising that most training delivery is against a small number of training packages. A look at the type of training packages with high delivery demonstrates high student numbers driven by attractiveness of potential careers, simple delivery environments, able to be carried out in simulated work environments, or driven by regulation guaranteeing a supply of students who need a “ticket” to perform a work function.

The current framework places unreasonable quality demands on RTOs. It is impossible to deliver quality without sufficient resources. It is clear that RTOs are now moving away from areas of high unit costs and low student numbers to focus on delivery in areas of higher student numbers and low cost. This is a rational attempt to improve RTO viability 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 (See next heading).

### **RRR and Thin Markets**

Skills Impact provides services to a portfolio of industries with a predominance of rural, regional and remote (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 range, leading to lower potential enrolment numbers for RTOs, particularly for TAFEs and other RTOs constrained by

catchment areas or onsite delivery. In high unit cost training environments, RTOs can't cover their costs under the current system settings. This means they cannot offer the qualifications or if they do, the quality may necessarily be compromised. 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 rural, regional or remote 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 markets.

Funding does not reflect the additional costs associated with high quality delivery in rural, regional and remote areas.

### **Quality Delivery**

It is clear that for many areas of work, the delivery of competency by RTOs, to the definition used by ASQA which is *'the consistent application of knowledge and skill to the standard of performance required in the workplace'* (ASQA website) is simply not possible under current system settings. However, a lack of delivery against any specific group of units or qualification should not be seen as a signal that these units or qualification are unwanted and should be deleted. It is a signal that identifies that the system places unreasonable demands upon RTOs and RTOs have withdrawn from delivery in these areas.

Quality of delivery is a huge issue in the VET sector. We would argue there is many instances of poor quality in the system. We would define poor quality as people receiving certification that describes a qualification or unit outcome and the person receiving that certification is not able to perform to in the workplace.

The current framework places unreasonable quality demands on RTOs. It is impossible to deliver quality without sufficient resources. It is clear that RTOs are now moving away from areas of high unit costs and low student numbers to focus on delivery in areas of higher student numbers and low cost. This is a rational attempt to improve RTO viability 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.

This submission proposes that RTOs be supported to deliver learning and basic skill outcomes that contribute to units and competency rather than deliver specific competency (or proficiency) to each and every unit of competency on an RTO's scope. This would require materials to clearly define what it is RTOs are responsible for delivering. (See recommendation for the development of National Skills and Training Materials and simplification of Work and Skill Requirement units). Units of competency are criticised by industry and RTOs for being too complex, yet the regulator and others as not having sufficient detail. Both criticisms are valid.

## **Information Request 12**

***The Commission seeks the following information for each jurisdiction:***

- ***governments' objectives in relation to their pricing and funding approaches***
- ***the methodologies for assessing the cost of providing qualifications and the rationale for the methodologies***
- ***the methodologies used to set prices, government subsidies and/or student fees for qualifications and the rationale for these methodologies***
- ***current and historic estimated costs, prices, subsidies and student fees for qualifications***
- ***how funding and pricing arrangements affect the decisions of VET players (for example, whether they encourage providers to operate at least cost or employers to provide wages at market rates).***

Skills Impact does not have information to add in this section.

## Information Request 13

*The Commission also seeks input on the following questions.*

- *What is the rationale underpinning each jurisdiction's funding and pricing approach? How well have governments' objectives in relation to their funding and pricing approaches been met?*
- *What are the pros and cons of the specific pricing and funding approaches used by the State and Territory governments?*
- *How well do current funding and pricing arrangements support governments' shared goals for the VET sector?*
- *What aspects of funding and pricing should be undertaken on a nationally-consistent basis, and how should this be achieved?*
- *What aspects of funding and pricing administration or supervision can be improved (within VET and across VET and higher education)?*
- *What alternative models for funding and pricing government services could the VET system draw from?*

While this Section is mainly directed at other participants, Skills Impact would like to make a short observation that may be relevant.

Currently there are a number of elements in the VET system that encourage the adoption by education or training providers of particular business models. Income (direct or through funding) is derived from enrolment, teaching, training and research. This creates a barrier to recognising previous learning and experience, and in particular industry-based training and experience. This leads to bodies actively disrupting the quality assured and regulated market and offering non-AQF but highly recognised accreditations, such as the Graduate Australian Institute of Company Directors certification and similar certifications from many professional and industry bodies.

The VET system penalises self-directed and industry-based learning. Due to the prevailing business models and the cost of compliance for Recognition of Prior Learning requirements, recognition through the issue of a qualification based on experience and demonstrated skills, knowledge and competencies has become more difficult, rather than easier. The focus is on enrolment (delivery) rather than assessment (recognition).

The critical consideration should not be the prior learning programs which have been undertaken, but the current level of competency and the training needed based on that level of competency to achieve proficiency.

## Information Request 14

*If governments agree to a new national funding agreement for co-funding VET in schools, what should be part of this new arrangement?*

The delivery of VET in schools is critical for delivery to RRR and ATSI communities, becoming more critical as RTOs increasingly struggle to deliver to these communities. Often study for these communities are limited to lower level (AQF Level 2 in particular) qualifications, with the addition of skill sets and additional training failing to be formally recognised by the issue of higher level qualifications.

VET in school delivery is severely hampered by the single definition of the competency that sets the intention for the outcome of all training delivery. It is virtually impossible for VET in Schools programs to meet the required definition, however participants receive qualifications that state they are fully competent to perform work to an industry standard. This claim is hardly ever able to be met, and both employers and participants are often disillusioned by the outcome. The solution is to provide a realistic definition of the outcomes that need to be met as a result of VETiS and manage expectations of both students and employers of these outcomes. As valuable as these outcomes are, they are not in the main, competency outcomes as required by the system.

## Information Request 15

*The Commission seeks:*

- ***evidence of how funding (and other) settings affect learning and career choices***
- ***views on options for achieving greater consistency in funding and loan arrangements between the VET and higher education sectors, and the likely benefits, costs and impacts of these options***

Skills Impact welcomes recent indications of governments' commitments to giving the VET sector the same status as universities in considering funding models. With equivalent government funded places across both sectors, and the higher cost methodologies associated with VET training, it is clear that lifting the \$6 billion of Government funding to the VET sector to a similar level of the university sector's current \$27 billion of government funding annually is the minimum necessary.

This is needed to provide equality of choice for users from VET to Universities. Currently students choose Universities as it is clear that their level of funding delivers a lot more per enrolment than the VET sector can possibly deliver giving its low level of funding. The VET sector cannot effectively address quality issues given the low levels of committed funding. Quality cannot be driven by regulation when inadequate funding is provided. Currently RTOs are vacating the more expensive and challenging areas of delivery leaving Australia with VET delivery largely focused on easy to deliver and develop skills in urban environments. This is a recipe for a wide range of acute skill shortages, particularly in high cost RRR environments and in skill and job areas where skills are expensive to deliver, especially where high levels of capital expenditure are required.

It is clear that VET has been disadvantaged over the long term by funding arrangements, highlighted by the Mitchell Institute 2017 Report Expenditure on education and training in Australia in 2017, which identified funding in real terms across each sector:

## Key findings: (in real terms<sup>2</sup>)

- Preschool expenditure in 2015-16 has increased 150.2 per cent over this period, coming off a much lower base in 2005-06
- School education expenditure increased 30 per cent between 2005-06 and 2015-16
- VET sector expenditure in 2015-16 was 4.7 per cent below the level in 2005-06
- Higher education expenditure increased 52.6 per cent between 2005-06 and 2015-16



Skills Impact notes that the Productivity Commission seeks views on directing government funding towards the objective of increasing participation in training by all Australians. Any analysis and strategy will need to consider the roles of formal and informal training, given that the overwhelming level of worker learning takes place in the workplace and through informal learning (see Sections 2 and 9)

## Information Request 16

- **Are the contributions by government (on behalf of the public), industry and individuals towards VET proportionate to the benefits that each of these groups receive?**
- **Is direct estimation of public and private benefits as a means to direct government funding feasible and desirable? What would be the implications for other sectors (e.g. Higher Education) if such an approach was taken in VET?**
- **How should governments judge priorities for funding and effort, and why?**
- **How should employers and industry contribute to funding the skills training of their workforce? Are there any barriers or disincentives to private funding of VET?**
- **Should the level of government funding vary for different course or student types, and if so, how should government decide the relative amounts?**
- **What approaches are most useful to assess the effectiveness of government investment in VET?**

- ***Should government investment in the VET system seek increased participation in training by all Australians? How should this goal be achieved?***

The identification of public and private benefit, and the impacts of oversight and regulatory approaches in the VET system, may be more complex than as described in the Issues paper, which tends to focus these issues in terms of the analysis of Government Investment in VET. It is critical to recognise the potential public benefits that could be achieved if the right approaches are implemented, as well as the potential of actions within isolated parts of the system to detrimentally impact the returns from the system.

### **Investment in Compliance**

Government investment in compliance is not delivering appropriate improvements in quality of delivery and outcomes.

For example, one of the aims of the AQF is to underpin compliance, but instead it is being used as the foundation to police compliance, to the detriment of driving continuous improvement and innovation. Instead of providing the foundations for quality, it is being utilised to identify areas for regulation (Braithwaite, 2018).

As a result, regulation and compliance is widespread across all elements of education and training, rather than being focused on specific areas where regulation may be required. For example, ASQA does not consider the content of Companion Volumes in audits, which leads to compliance issues related to context, criteria, flexibility of approach and volume of learning.

There have been delivery issues in the VET sector in particular, which has led to more complex and rigorous compliance, taking up more time and resources. The volume of regulatory compliance leads to RTOs ensuring compliance boxes are ticked rather than utilising the framework and strategy-driven compliance for innovation and continuous improvement. An example of the impact is that high quality trainers are being excluded from training because they don't hold requisite qualifications, regardless of expertise in industry, supervision and training. Increasingly RTOs don't have the time and resources to undertake a detailed examination of candidate credentials and to go through the "exception" compliance processes, instead undertaking recruitment by establishing a baseline of holding specific training and education related qualifications, regardless of proven competency.

### **Low enrolment qualifications & units of competency**

An example of unintended consequences has occurred throughout 2019, with the AISC having a strong focus on low-enrolment and low-use qualifications and units of competency. There is a current proposal to raise this specifically as a matter to be addressed within future Skills forecasts, and the approach being suggested presumes that enrolment numbers are evidence of superfluous or superseded training products, which should be deleted.

Enrolment volumes have very little relationship to the criticality of skills to sectors of the economy nor the value of those skills to the economy, or the risks to society of not having properly trained workers in specific niche occupations or industry activities.

As previously outlined in Section 7, Training Packages are inaptly named, as they are designed to identify job roles and functions. The Australian economy is a complex web which results in a wide variety of circumstances which would suggest that the use of enrolment numbers as a determinate of the importance of a Training Package has shortcomings.

Low enrolment numbers are not indicative of an industry without training needs but of a lack of delivery of training. For example, this may occur when the RTO sector fails to recognise and deal with costs associated with thin markets, regional delivery and specialised industries.

A key failure of the system is an ongoing reduction in funding, which drives RTOs to focus on markets that are less cost intensive and that generate training volume. It is ironic that the training volume focus of

RTOs which has resulted in thin training markets not being serviced by RTOs is now being applied to assessing the usefulness of training packages.

For example, there may be few workers in – and, hence, enrolments for – highly-specialised occupations, which, regardless of raw numbers, are extremely important due to issues of need, safety, government-prescribed legislative and regulatory requirements, and public visibility. Australia has an economic and social obligation to ensure that industry is supported in documenting the way for work to be conducted safely and effectively. Likewise, industry's participation in this process represents a formal commitment to maintaining occupational codes of conduct.

Whether RTOs choose to deliver training to such a sector in a way that industry can engage with should not be the determinate as to whether a qualification or unit of competency is considered obsolete. Providing the training product describes work that is currently being carried out, clearly the Training Package is not obsolete, just not being offered by RTOs to the industry in a manner that works with the industry.

More relevant questions include:

- Is this work still being carried out?
- By how many people?
- Does this work contribute to the Australian economy?
- Is there significant legislative and regulatory control within the Industry?
- How will workers and employers know what is the correct industry standard if this training package is deleted?
- Do special circumstances apply to the industry, including the difficulty and danger of the occupations, the need for a critical industry with lower workforce numbers in Australia, and the need to support future innovation and development?
- Is industry relying upon the training package to support their endeavours?

Answering these questions will provide a far more accurate picture of public benefit than a simple analysis of enrolment numbers could produce. Yet analyses of enrolment numbers and similar types have taken place over the years, giving primacy to the analysis of the formal RTO delivery system instead of the public benefit that may accrue as a result of having access to a skilled workforce and productive industry.

### **The System's Terminology**

The example of low enrolment numbers also illustrates again the problem with the terminology and focus of the system. The terminology and approach being used by the AISC shows a movement towards a service-provider led system and away from an industry-led system. There is an assumed correlation between "low enrolment" and "low use", which can only be justified if the terminology is based on the need to ensure all training is provided by registered Institutions, regardless of the needs and circumstances of industry. The use of this terminology assumes the correlation, yet the only available evidence relates to low enrolment numbers in RTOs.

Training Packages provide national skills standards developed by industry, and it is the experience of many of our IRCs that informal and internal training is often designed with guidance from the Training Packages. Skills Impact has been working with NCVET to identify whether there are correlations in identified industries.

## **Information Request 17**

- ***How effective and accessible are data collection and reporting arrangements?***
- ***How can data and information-sharing arrangements be further improved to facilitate assessments of the effectiveness of VET investment and delivery?***

- **What additional data (if any) or improvements in data quality are required to effectively monitor the performance of Australia’s training system?**
- **How significant are current compliance requirements relating to the provision of data to authorities?**
- **Can some data collections be ceased?**
- **How can data be collected in a way that minimises reporting costs?**

Since it became mandatory for RTOs to report AVETMISS data on 1 January 2014, NCVER data sets have become increasingly reliable (NCVER, 2019, A clearer view of the total VET landscape is emerging, <<https://www.ncver.edu.au/news-and-events/media-releases/a-clearer-view-of-the-total-vet-landscape-is-emerging>>). The 2019 update of the VOCSTATS collection, for activity in the years 2015-2018, included more accurate information about VET enrolments and completions, and expanded the list of variables available to assess trends; for example, relating to learner demographics.

There are various improvements that could still be made to facilitate analyses of VET delivery. Skills Service Organisations (SSOs) must produce yearly Skills Forecasts that account for:

- qualification utilisation;
- low/no enrolment training package products and the reasons why they should be deleted/retained;
- reasons for non-completion of qualifications and skills sets.

When considering the above, additional data and reporting on the following would be useful:

- Reports on completions rates for individual Training Packages, qualifications and units of competency (in addition to the general information already published about completion rates across the VET system/AQF levels) (NCVER, 2019, Australian vocational education and training statistics: VET qualification completion rates 2017, NCVER, Adelaide)
- NCVER VOCSTATS could include an option to aggregate qualification/unit data for all current/superseded versions (with the necessary cautions over equivalent/non-equivalent products). This would help SSOs and training providers to gain a truer reflection of the demand and uptake of education specific to job sectors.
- Work could be conducted to develop VOCSTATS so that it can display information about qualifications held on *training.gov.au*; for example, to show how many RTOs have Training Package products on scope (with the necessary added caveat that data is only guaranteed to be correct at the time of extraction).

On a general level, it would be helpful for the time lag of data releases to be reduced. For IRCs/SSOs, the next Skills Forecasts are to be submitted to the AISC in April 2020 but will only include Training Package data up to 2018. Given the minister’s priority to reduce the number of qualifications and units of competency, this time lag is problematic because Training Package products are often used by industries that have seasonal or year-on-year changes, entailing that a qualification/unit that is considered ‘low use’ one year may be in higher demand the next. Ideally, Skills Forecast recommendations that impact upon training provision should include up-to-date data. This echoes Braithwaite’s reasoning in calling for more frequent, perhaps quarterly, reporting by RTOs to facilitate better decision-making by ASQA and other agencies (The Braithwaite Report, 2018, p.75).

There is also utility in Braithwaite’s Recommendation 13, that “the legislative framework be amended to enable the National Centre for Vocational Education Research to make the RTO level data it holds publicly available and identifiable.” (The Braithwaite Report, 2018, p.76). This would better equip analyses of the use of Training Package products by allowing organisations, such as SSOs, to investigate how units of competency are contextualised by different training providers, be it for regionally-specific sectors or skills requirements. Such developments would speak to a range of issues surrounding the VET sector, from operational practicalities (including how RTOs negotiate the balance between internal expertise/resources and industry demand) to broader systematic challenges, including Joyce’s contention that there is a lack of guidance for students on education options and career paths (The Joyce Report, 2019).

**Example: the potential benefits of making RTO-level data publicly-available**

Making RTO-level data available would enable research to establish the specifics of *what* RTOs are delivering, and the variables that impact on their training and assessment strategies. To illustrate the importance of this information we might consider how, in a recent report co-authored with KPMG, Skills Impact sought to establish the extent of VET training for agriculture that enables digital capabilities (KPMG and Skills Impact, 2019, Agricultural Workforce Digital Capability Framework). By analysing unit content on training.gov.au a list was drawn up of units that *may* be used for digital agriculture training; however, there is no evidence that many of these units *are* being used by RTOs for this purpose because of their contextualisability (i.e. where appropriate, RTOs may be using non-digital equipment and resources to satisfy the evidence and performance criteria). Had RTO-level data been publicly-available, the project could have been extended to examine where digital agriculture is part of RTOs’ training and assessment strategies. As it stands, the true extent of digital agriculture training is unclear. Correspondingly, so is the contribution of professional learning and development towards the National Farmers’ Federation’s government-backed target of growing agriculture into a \$100 billion industry by 2030 (of which digital capabilities is a key component) (KPMG and National Farmers Federation, 2018, *Talking 2030: Growing agriculture into a \$100 billion industry*). Without RTO-level data, industry’s involvement, planning and decision-making around skills and training will only ever be partially informed.

Elucidating the nature of current VET training would improve insights into how RTOs are engaging with the strategic objectives of industry and, therefore, where there are training gaps (i.e. where capabilities training is not being offered, perhaps due to thin markets (Agriculture Victoria, 2018, p.10, *Victoria’s Agriculture Skills Statement: Smarter, safer farms* ) or the expense of investing in new resources to support delivery in regional areas (Commonwealth of Australia, 2019, p.44, *National Regional, Rural and Remote Tertiary Education Strategy*). Enhancing the available information about the specifics of training delivery would empower consumers to pursue their desired objectives and outcomes, and industry to identify the providers who meet their needs – to the benefit of both in tandem. In turn, this arguably would help to influence enrolment data trends to more closely reflect industry’s demand for specific skills. It would also increase the transparency of training and occupational pathways for in-demand jobs, thus addressing Wheelahan *et al.*’s concerns that VET delivery of agriculture education has a relatively weak relationship with specific jobs and career progression. (Wheelahan, Leahy, Fredman, Moodie, Arkoudis & E. Bexley, 2012, *Missing links: the fragmented relationship between tertiary education and jobs*, NCVET, Adelaide, esp pp3 & 35

Better inputs would improve data collections and, consequently, assessments of the effectiveness of VET investment and delivery. For example, NCVET have been researching whether learners should be categorised as either ‘Initial Vocational Education and Training’ (IVET) or ‘Continuing Vocational Education and Training’ (CVET) in order to inform policies associated with, for example, funding eligibility and pedagogy. Skills Impact contributed to this research by putting forward that more nuanced conceptions of learners (re-)entering the system would be preferable to these two categorises, suggesting a model similar to:

Learner context	Skills sought			
	Foundation skills	Apprentice/trainee	Industry entry level	Upskilling within industry
Career developer				
Career changer				
Unemployed			x	
School leaver				

If such data were collected, potential benefits may include:

- a) Richer insights into *who* enrolls in VET, and *why*.
- b) More targeted marketing and strategic planning of VET on all levels.
- c) Evidence for funding model revisions, which take account of where there is real need.

In addition to more effective terms being used to define who *enters* the system, there could also be improvements in research on who *exits* and why they exit the system. This contention is a result of the apparent contradiction between the relatively low completion rates of qualifications and high rates of satisfaction with training. Specifically, more research is required to establish the true extent of course non-completion issues (Building on work by NCVET, such as: A. Bednarz, 2014, *Understanding the non-completion of apprentices*, NCVET, Adelaide). Current data suggests low 'success' rates in the AHC Training Package, for example, with a completion rate of 37.8% as at 2017, yet 87.3% of AHC students were 'satisfied with the overall quality of training' and 87.7% 'achieved their main reason for training' (Including all National Student Outcomes Survey respondents who completed at least one subject, whether they completed their qualification or not)(NCVET, 2019, *VET graduate outcomes*, SAS Visual Analytics). While there are many reasons for students not completing qualifications besides dissatisfaction with their training, current surveys and research do not look beyond a student's personal circumstances or opinions. More needs to be done to assess systematic issues.

Anecdotally, one under-reported issue concerns funding only being available to RTOs when learners enrol in full qualifications, even when the intent of the learner is to achieve one or a cluster of units of competency for specific work purposes. Learners will cancel the qualification after finishing these units, having achieved their objective, but will be recorded as a non-completion against a full qualification; they will be recognised as a 'problem' when in fact they are a satisfied customer. Non-completions are hence a far more complex issue than is implied by the completion rates alone. Without improvements in VET research, shortcomings in the system are likely to be sustained and data collection skewed with erroneous impressions of performance.

## Information Request 18

- ***Can the apprenticeships system and data collection by governments be better coordinated, or streamlined? If so, how?***
- ***What other areas of the VET system are unnecessarily complex or inefficient? Are there any additional opportunities for governments to better streamline or coordinate their initiatives to improve the VET system?***
- ***To what extent will fixing these issues improve the operation of the VET system?***

According to the Joyce Report, "*Currently, however, only 20 per cent of qualification-based vocational students undertake a traineeship or apprenticeship*" (Joyce, 2019, p32). This seems to be an overstatement of level of apprenticeships and traineeships, (which make up less than 10% of enrolments) which hides the full extent of issues in these areas.

## VET students, by training type

2017 NCVER 2018, National VET Provider Collection (accessed via VOCSTATS)



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.

There is a systemic issue requiring relevant bodies to 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.

Some of the IRCs supported by Skills Impact believe that in their industry, one relevant way to enable this approach is through supporting and working with a national network of RTOs who are committed to servicing the industry. A key aspect of this would be through the IRC supporting the development of national assessment tools and associated resources. This would enable more economically efficient application of skills training to national standards across all jurisdictions, including the transferability of assessors and trainers across jurisdictions and the use of workplace-based staff in the gathering of assessment evidence. The current approach of trying to create contestable market places for VET is clearly failing in areas of thin markets and new approaches need to be trialled to arrest the rapid decline in VET sector offerings in RRR and industries where training delivery is inherently expensive

# Information Request 19

- *If governments agree to extend programs to improve language, literacy, numeracy and digital (LLND) skills, who should these programs be targeted to?*
- *What is the role of the VET sector in teaching foundational skills as opposed to other sectors, such as schools?*
- *How can regulatory, program and funding arrangements for foundation-level skills and education be improved? Can the schooling and VET sectors be better linked?*
- *How can funding arrangements between governments better support more efficient, effective and accessible services for disadvantaged groups?*

## Digital Skills

The Cotton Research and Development Corporation, in conjunction with 11 Research and Development Corporations, recently published the Agricultural Workforce Digital Capability Framework to assist industry to meet the digital challenges of the future. The report authors were KPMG and Skills Impact, with contributions from Faethm and the University of Queensland (<https://www.crdc.com.au/growing-digital-future>).

Critical learning from the project included:

- Digital skills requirements are going to vary between industries and between job roles
- Training related to digital capabilities should be combined with enabling capabilities
- Capability level descriptors provide a guide for training delivery (Foundation, Developing, Proficient and Mastery)
- The use of the term digital literacy can potentially hide the breadth of foundational skills required

In the Digital capability Framework, there were six capabilities identified:

- Digital Literacy
- Technology Operation
- Data Management
- Data Monitoring, Analysis and Interpretation
- Digital Communication
- Incident Management

The Enabling Capabilities identified were:

- Process Improvement
- Personal learning & Mastery
- Collaboration
- Business Transformation
- Critical Thinking

In any approach to foundational learning covering digital capability, there will be a need to go beyond basic levels and ensure some foundations in each of the digital and enabling capabilities identified, if foundational training is to meet the needs of industry.

## Funding Arrangements for Delivery to Disadvantaged Groups

The Napthine Report (Napthine, 2019) notes that a concerted and sustained effort from all levels of government, formal education providers, employers, communities and families will be required to address the multiple issues facing delivery in RRR areas. The seven recommendations and 33 related actions have been broadly supported in the feedback received by Skills Impact so far, which has been limited by the relative recency and depth of the report.

One of the barriers to the development of skills in RRR areas and ATSI communities is the high-level of capital investment required for training delivery, and the ongoing higher costs of delivery in RRR which

has a significant impact on overall costs and hence the offerings. These issues have traditionally been approached through government funding, or development of new learning approaches, such as online or virtual reality delivery. While there are a number of examples of RRR RTOs entering partnerships with employers, consideration needs to be given to adding flexibility that may minimise the need for capital investment, for example:

- Direct and/or tax incentives for employers to share the use of equipment and buildings for training delivery
- Incentives for training delivery in conjunction with capital works in RRR areas and ATSI communities
- Formal recognition of industry/ employer workplace assessment of competency/ proficiency
- Support for prisoner support and release schemes that include job placements and training
- Support for assessors to undertake remote and very remote assessment, including Recognition of competency

Skills Impact regularly works with enterprises and employers who make significant contribution to training and ensure that their employees not only gain new skills but receive VET recognised qualifications in the process. By doing so they improve the skills available to their business but also to the labour market as a whole, as staff with qualifications are more mobile in the labour market. In comparison, we often speak with employers who deliberately do not train staff to national standards and instead train inhouse with the stated aim of reducing labour mobility in the economy. There is a third category of employers who do very little training at all and instead secure people with skills directly from the labour market, a low investment approach to gaining the required skills.

Australia treats these three categories of employers as equal, despite the first category making significant contributions to the qualification outcomes of Australia.

We would propose that the Commission examine how incentives could be applied (perhaps via taxation reductions) to encourage ongoing employer contribution and recognition of nationally recognised training as the existing system appears to be disadvantaging employers that are contributing to the national training effort.