Skills Impact's Submission to the Discussion Paper on Improving Industry Engagement and Reforming Qualifications in VET

February 2021

Question 1: Does the role of industry need to be strengthened or expanded across the VET system? Why/why not? Please consider the following prompts in your response (max 600 words)

The role of industry needs to be strengthened and expanded. Currently industry has a significant role in identifying and documenting skills, which are used to create skills standards (currently called units of competency in training packages). Industry also has a role as purchasers of training services, yet has little or no influence over the availability, accessibility, delivery or assessment of training and competency.

In the VET context, "Industry Engagement" and what it achieves is unclear. Decisions by funding bodies, bureaucracies and RTOs determine what training gets delivered, where and when, often in industry-perceived contradiction of well thought out Government and industry objectives. Training is delivered in a market setting which is often not able to respond to industry need due to a range of factors but the key ones are thin markets, regulatory risk, levels of funding that all contribute towards RTO viability.

The funding system (largely managed by STAs) and the delivery system (largely managed by RTOs under ASQA regulation) need to involve industry more, and importantly be responsive to industry need. As this does not occur in some sectors and regions industry is often disengaged with training.

The IRCs we work with have multiple examples where their views are able be used to the benefit of the system due to system inflexibility. IRC recommendations are regularly not accepted by parts of the system based on a strict interpretation of the "rules" of the system to the detriment of industry and also the achievement of government aims. Attempts to simplify delivery to improve RTO viability and industry access are difficult under current VET policy including the need for qualifications to undergo full consultation processes regardless of the nature of the change and demonstrated IRC and industry support. The complexity involved with trying to simplify delivery has meant that RTOs withdraw from delivery and then qualifications are at risk of deletion due to lack of enrolments caused by the delivery issues the industry is trying to solve. Units of Competency designed by Indigenous people are now being considered for deletion against the advice of a relevant IRC and without Indigenous consultation, contrary to governments' Indigenous strategies. Deletion of qualifications and units has recently become ingrained into templates and requirements, even where they are not obsolete or duplicated (as per Ministers Priorities) and accurately describe job roles and functions (as required by Standards for Training Packages).

An industry focused VET system would see industry involved in a structured manner across the skills pipeline, including in funding and delivery. Better outcomes can be achieved through a shared, distributed leadership model across the sector, with the key stakeholders involved in each element of the sector, with specific task leadership falling to the expert stakeholders in that area receiving advice and guidance from the other stakeholders. For example, Industry has expertise in defining job roles and functions, and should lead in this area, with RTOs providing advice on training content and capacity (i.e., curriculum), research entities providing guidance on future skills requirements and governments sharing advice on skills forecasting. Design of actual training should be led by experts in learning design with the advice of industry and learners (this does not happen now as the system uses industry skills standards as training modules, contrary to TP design). Funding should be led by governments, taking account of advice from industry and learners and RTOs. Given current changes in the world of work and employment, industry should be heavily involved in design of apprenticeship and trainee programs.

SSOs are well positioned to manage these distributed interactions but would need their roles expanded beyond the current IRC secretariat and training package project scoping and management. Ideally, the system would also maintain RTO reference committees to mirror IRCs as forums that generate enterprise and RTO commitment to training delivery, through greater understanding of delivery challenges and how to remove barriers to training access.

Question 2: Are you aware of the current industry engagement arrangements that are in place to design and develop VET qualifications i.e., the Australian Industry and Skills Committee and the Industry Reference Committees?

Selected Response: Yes

Question 3: (If yes to Question 2) How effective are the current industry engagement arrangements in VET in meeting your needs? Please consider the following prompts in your response (max 600 words) What works well and what could be improved? How could it be improved?

The factsheet, notes that IRCs, as the key industry advisory bodies:

*"play a critical role in **identifying and responding to emerging skills and training needs**. Through IRCs, industry **requirements for skills are considered and defined** in training packages".*

IRCs are not briefed to design VET qualifications but to identify and respond to emerging skills and job requirements, which are then comprehensively described in industry skills standards. The current arrangements work well for engaging work experts to describe the necessary content for input into skills standards. These arrangements work for most industry sectors, with nationally consistent work and skill outcomes specified.

IRC members and their industry sectors are well represented on the issue of content of "units of competency" and "qualification" constructs. There is little to no IRC representation about delivery of training as provided by RTOs (i.e., when, where, how and by whom) or the level of funding provided to RTOs.

Opportunities for industry involvement in training and assessment processes have been reducing over the last decade. There are now few opportunities for industry or enterprises to be involved in formal, recognised training delivery, even with an established relationship with an RTO. Training providers are, by necessity, motivated by enrolment numbers and opportunities, business viability and reduction in regulatory risk. If RTOs choose not to participate in a sector due to their perception of risk, viability and lack of business opportunity, enrolments cannot occur and training packages in that sector are at risk of being deemed irrelevant and redundant, regardless of industry need. Employers become passive consumers of training based on the competency standards they helped to design, leading to a mismatch between the demand for training and the demand for skills. This effect is magnified for industries in rural and regional Australia, or those with geographically sparse or thin training markets. The supply driven volume market of institutionalised delivery is now the dominate feature of the VET system.

Outside of describing job roles and functions, much of industry feedback at an IRC level is unable to be used by a system that has become inflexible. For example, feedback from industry has often shown that states that assessment by an RTO in institutionalised settings is not suitable to determine job role competency, which requires industry practice and experience. In 2020, a key priority area for the AISC was to minimise mandatory work placements despite industry feedback that workplace experience is a defining and unique value of VET and critical to achieve competence. While initially a response to Covid-19, this "priority" has now become part of the reporting requirements of the AISC despite no apparent changes in governments' policies. There was no equivalent consideration given to the inability of RTOs to deliver classroom-based learning during the pandemic or a subsequent need to report on the necessity of classroom-based learning (many businesses suffer when staff are pulled into classrooms at times of RTOs choosing).

Many skills are best learnt on the job due to the nature of the specific skills formation and the needs of learners in employment. Work placement and experience, and connection to jobs, is particularly critical for learners with Indigenous and Disability backgrounds, as well as in RRR and thin markets, given the overwhelming need for VET to lead to employment in these circumstances. If industry engagement were currently as effective in VET needs it to be, the current system would also have a focus on workers and on-the-job learning, instead of the current focus on enrolment numbers via an RTO.

What could be improved?

IRCs reflect industry needs and their views need to be taken into account in the operation of the whole VET sector, not just in the content of units of competency. RTOs need to be engaged with by industry and having an RTO engagement network to collaborate with the IRC network would be a useful reform.

Question 4: What can be done to drive greater collaboration across industries to broaden career pathways for VET graduates and maximise the workforce available to employers? Please consider the following prompts in your response (max 600 words)

Currently IRC members are selected to represent their industry sector and not the VET sector, with decisions made at industry sector level. SSOs are restricted to secretariat roles. The 25 to 35 Skills Organisations proposed by the Joyce Review would further encourage siloed approaches and a potential proliferation of industry specific units. Currently there are 15,000 units of competency in the system, despite policy efforts over the last decade to reduce numbers. Contributing factors include:

- VET is a competency-based system directly connected to job roles and job functions. Each industry has its own unique environment, with different requirements and regulations.

- The Standards require each unit of competency to reflect a job function and each qualification to reflect a job role: they are designed as industry skills standards, not training modules. The current "Industry Skills Standards" are an immensely valuable resource that should be used to design training and training curriculum. The current approach of treating skill standards as training products and training content adds complexity, inefficiency, inflexibility, and expense.

- The division into job functions result in complex delivery requirements for cross-sector or collaborative delivery. For example, there are 10 Big Data cross sector units, and a recent analysis by the Meat IRC shows a minimum 4 are needed for an appropriate introduction to Big Data, yet qualifications do not (and cannot under AQF) have the room for this many units outside of specific job function skills.

- New units are needed to describe new ways of work, but it is almost impossible under policy settings to delete existing units that describe older but still current methods of work.

- When units are written broadly enough to apply across multiple industries, they lack contextualisation and become meaningless for job roles. As a result, units with similar subject matter exist across multiple industries as separate units with industry specific details.

- There is a lack of AQF flexibility, which results in cross sector units with learning complexities inappropriate for the relevant job role: Cert IV Jockeys study AQF Level 4 BSB units instead of more suitable lower level units, or Cert III meat qualifications are unable to utilise Big Data cross sector units set at AQF levels 5/6.

Unit numbers could be significantly reduced and applied to a broader range of job pathways if they were supported by national contextualisation statements and materials, to deal with new and old methods of work and issues of application specific to each industry. The introduction of flexibility in the AQF and in the regulation of VET would also assist in broadening career pathways.

Overarching VET Sector Reference Committees (VSRC) with responsibility for qualification design could be established for each SSO. They would engage with their industries through the SSO and IRCs, making collaboration a realistic possibility. Each VSRC would have authority to determine cross industry qualifications and would collaborate with the other VSRCs (one per SSO).

Cross industry qualifications will fail without a system allowing each IRC to provide contextualisation information to RTOs. Training package policy will need to change to support this. Cross industry collaboration is expensive and time-intensive: each industry prefers to support efforts specific to their sector, rather than expend limited resources on the broader VET effort. Funding improvements to support cross industry consultation and policy change is needed.

Moves to 25 to 35 SOs with responsibility for qualification design, would all but completely remove hopes of collaboration across sectors. The likely result is even more discrete units of competency as each sector see their skills as unique and distinct. (the previous system of 25+ national ITABs was dismantled over 15 years ago due to the structure creating a lack of industry collaboration) SOs are needed to broker training solutions between enterprises and RTOs but using them to develop training packages will most like result in a very fragmented system, increasing the risk of too many units and qualifications.

Question 5: Are qualifications fit-for-purpose in meeting the needs of industry and learners now and into the future? Why/why not? Please consider the following prompts in your response (max 600 words)

While the current industry skills standards descriptions used as the foundations for qualifications are now generally fit-for-purpose (following the more recent IRC SSO AISC reviews over the last 5 years), this, in itself, does not mean industry's and learners' needs are being met. Learners needs are only met when training delivery is made available via RTO determined processes.

A key challenge often raised by industry and RTOs during engagement is the ways individuals develop competency and how this is best assessed. The VET system works under a stringent definition of competency that cannot be achieved without workplace-based practice over a significant period. Feedback from industry is that many participants exit the VET sector with basic skills and up to date knowledge, but they are not competent or proficient in job roles to workplace standards. Both industry and RTOs have voiced their concerns with us about these challenges. For industry, there is little visibility over how competent somebody is. RTOs currently spend too many resources trying to ensure workplace competency. It is costly for them to simulate certain work environments, particularly for some of the job roles and work activities in the industries we support.

One solution is to embrace the strengths of both RTOs and industry in their respective training roles. 'National Skills and Training Materials' (based on units of competency) could be created to help define the responsibilities of RTO delivery, while offering a range of options to meet local requirements. 'Industry Work Skill Standards' could provide enterprise guidance on delivering relevant workplace practice and evidence of competency, similar to ISO and ANZSO standards. Industry expectations for VET to deliver workplace competency could be met if assessment took place in real work settings, through a collective delivery outcome between RTOs and enterprises. This is what occurs through the highly regarded traditional apprenticeship model which now make up less than 10% of student enrolments in the VET Sector.

Another part of the solution to this challenge could be creating a Skills Organisation (SOs) for each industry sector to carry out engagement around training delivery needs and challenges (i.e., the engagement not currently carried out by IRCs due to their narrow focus on describing skills needs). Australia would need around 50 SOs and they would need to be resourced at a higher level than each of the current SSOs, so they can operate more effectively in industry engagement. It is our assessment that the SO model proposed by Joyce is too inefficient and too expensive to implement. A key concern is the level of overlap across industry sectors (for example, animal care and the racing and breeding sectors).

A more efficient approach may be a multi-industry, regionally based model, where each regionally based SO covers a specific region. This would have particular advantages outside of capital cities and for Indigenous communities.

The role of learner groups in engagement in the system also requires attention. Industry engagement does not service the needs of Indigenous, Disabled or other Disadvantaged learners who, by their very status, are poorly represented in industry currently. Avenues for industry to engage with these groups in a training context would be welcomed by many IRCs looking at new opportunities for their industry sectors.

To stress, the question of whether qualifications are fit-for-purpose is very different from whether the current system delivers the skills enterprises and industry needs. Consultation with industry about the contents of skills standards and qualification frameworks is very different from engagement about training delivery and use of the VET sector by enterprises. The current system needs to change to bring a wider range of stakeholders into engagement including brokering training arrangements between enterprises and RTOS to ensure skill needs are actually met by the VET sector.

Question 6: Are there any further issues in relation to improving industry engagement in the VET sector that you would like to provide feedback on? (max 600 words)

VET is "Vocational" and offers an educational pathway that is contextualised to job roles in industry. The guidelines and standards are built on this foundation, which provides an alternative learning option for students and job roles more suited to situative learning (where outcomes are based on abilities of individuals to participate successfully in relevant practices) rather than cognitive learning (based on knowledge acquisition, the foundation for University education). For these learners, career pathways will be built on experiences and the adaptability that comes from experience aided by training. Industry places high value on generic skills but needs the specialist skills related to specific job roles. Learners aim to get jobs and need specific job skills to demonstrate competence.

While the concept of Skills Organisations has some merit, particularly for brokering training access and outcomes, Industry owned organisations are generally only concerned with the industry they represent and are not usually interested with cross sector collaboration or the VET sector as a whole.

There is no question as to the importance of training for an industry's growth and competitiveness, or supporting people to secure employment. However, for industries located in regional, rural or remote Australia, the VET sector offers very limited access to training. Training for highly technical skills is also hard to come by, especially if expensive materials or machinery are required. The national training packages are updated to include the necessary qualifications and skills standards as specified by industry, but fit for purpose, industry endorsed training packages do not drive training delivery.

VET is a multiple market world, not a single market. Under current settings, thin markets are not well supported by Australia's VET system. Thin markets are usually characterised by low student to trainer ratios, access and safety issues, highly technical skills and/or skills requiring access to expensive materials and machinery and learners are spread across large geographical areas with low numbers of students in any one area. This is an important issue as some of the skills most critical to Australia's future are highly technical and high cost to deliver, so RTOs struggle to fund development leading to their delivery. Without delivery being offered, enterprises, over time, develop their own alternative solutions and no longer seek formal training for their staff.

Skills Impact provides services to a portfolio of industries predominantly operating in regional, rural and remote locations. These areas are generally high cost training environments with student numbers spread over a broad geographic area. Many of the skills also require expensive materials or machinery. Regulatory requirements for providers in these thin markets are the same as for those in urban areas. The delivery costs for RTOs are too high vs potential revenue and therefore delivery is not viable and therefore often not offered to enterprises.

There are many factors affecting RTOs and decisions to deliver training or not, and any one of these issues by itself is enough to prevent delivery. More than one makes a compelling case for RTOs to not offer training for critical industry skills. These issues include:

- Availability of skilled and qualified trainers
- Availability of equipment, infrastructure, or other resources
- Demand for the training from employer
- Availability of prospective students
- Changes in industry priorities
- Ability to meet ASQA compliance requirements
- WHS or other risks associated with delivery
- Access to public funding to support delivery
- Cost of course design and\or materials
- Geographical spread of students and\or workplaces
- The ability to deliver the desired elements in your institution or a workplace.

Source: Griffith University 'Learning, Training, and Competency Survey' 500 RTO participants Preliminary Findings, June 2020

Further VET insights are on the Skills Impact website: skillsimpact.com.au/vetinsights