



Submission to the
Expert review of Australia's
vocational education and
training system

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Executive summary

Skills Impact has been operational as a Skills Service Organisation (SSO) for more than three years. Over this time, it has met with many thousands of industry and Vocational Education and Training (VET) sector stakeholders and been privy to a wide range of discussions regarding the operation and performance of the VET sector. As a result, we are well positioned to analyse and relay the views of these stakeholders to ensure they are considered during the Vocational Education and Training Review. This submission identifies what, based on the views of the stakeholders we interact with, we believe is currently working well within the VET sector and what improvements can be made. This analysis has been drawn from the organisation's discussions with its key stakeholder groups over the last two years, whilst planning and carrying out training package development projects.

What works well in the VET sector?

1. National competency standards framework (currently resulting in products called training packages). It includes considerable Intellectual Property (IP), funded by the Commonwealth Government and delivered through a structure based on industry representation and connection through the Australian Industry and Skills Council (AISC) and Industry Reference Committees (IRCs).
2. Industry well engaged and active in the skills standards review and development process.
3. Government investment in a national system and funding to support a delivery market across the nation.

Where can improvements be made?

1. Improve industry/enterprise engagement and involvement in the delivery of competency-based skills development.
2. Formally recognise the changing nature of learning and industries' response to this through a range of workplace-based learning activities within the current system. Many skills are best learnt on the job as needed due to the nature of the specific skills formation and the needs of learners in employment. The current system focuses on RTO delivery and students, and not, as it could, on workers and on the job learning.
3. Accept that usually completion of a qualification through a registered training organisation (RTO) pathway does not prove and is not the equivalent of competence developed in a workplace through applied job learning. Significant workplace related practice is required before proficiency is attained and industry should be involved in providing the means for practice and sign-off on competence.
4. Consider and make changes to the issues associated with RTOs being the sole category of organisation able to determine competency and issue qualifications. There is a conflict of interest involved in the provider of training determining that a learner has been successful in their function.
5. Change the current focus applied in the auditing of registered training organisations (RTOs). It is not necessarily delivering improved vocational skills outcomes but is severely inhibiting training providers and workplaces from responding creatively to the development of skills, particularly in remote and regional Australia and in sectors with small training markets.
6. Recognise and incentivise the efforts and expertise of both workplaces and RTOs in the delivery of competency, which benefits the long-term skill building of the nation. There is value in directly incentivising industry to train for the benefit of Australia. It is

questionable whether having so much focus on funding training providers is the best way to deliver competent workers across Australia.

Purpose of this submission

To provide input into the Australian Government's review into its investment in VET; to provide greater support to Australians to develop the skills they need to be successful throughout their working life; and to support all Australian businesses, but with a distinct focus on rural and regional areas so that these businesses have the skills they need to support their operations and economic growth as well as contribute to the national economic growth.

About Skills Impact

Skills Impact is in a unique position to be able to report on industry experiences and views of the VET system and its role in it, particularly with regards to skills attainment in rural and remote areas of Australia. Skills Impact personnel and contractors work with industry, work experts, trainers and RTOs daily to ensure national qualification reflect real work activities, current skills standards and practice. In any one year our staff members have detailed conversations with more than a thousand industry and VET sector stakeholders. These stakeholders regularly share with us their views about their industry and about what is working regarding training, about what needs changing, and possible avenues for improvement to ensure a skilled and flexible workforce for the future. Given our industry allocation we are uniquely placed to report on the effects of issues on people living in rural and remote regions.

Skills Impact is one of six Department of Education and Training contracted Skills Service Organisations (SSOs) and covers the following industry sectors:

- Agriculture and production horticulture
- Amenity horticulture, landscaping, and conservation & land management
- Animal care and management
- Aquaculture and wild catch fishing
- Food and beverage
- Pharmaceutical manufacturing
- Forestry, timber, wood and paper operations and products
- Meat and seafood industries
- Racing and breeding.

Overall, these industries are represented by 200,000 businesses, collectively employing 905,000 people and generating \$56 billion in exports - nearly 20% of the national total.

We support 12 Industry Reference Committees by engaging with industry to developing rolling four-year Skills Forecasts. Skills Forecasts capture evidence about significant changes, opportunities and potential disruption ahead in the sector.

Much of the activity in many of these sectors is conducted in rural or regional Australia and very few job roles require mandatory qualifications. As such, there are challenges in relation to the drivers to training and delivery of units of competency, skills sets and qualifications, as well as industry engagement and consultation. These industries are often central to local

economies and essential to the Australian way of life and prosperity, yet have difficulty attracting the labour, skills and training required to support their businesses. Rather than being treated as essential industries in the training context, they are under-served due to the business issues related to delivering dispersed training and assessment in remote areas. As a result, they often register low enrolment numbers. These are issues that appear to be growing as increased competition for funding and profitability in the formal training space pushes RTOs towards cost-effective delivery of high volume programs.

The observations and suggestions in this submission are drawn directly from our stakeholder interactions and reflects these challenges.

About industry

The term industry as used in this submission is an inclusive one that covers all sectors and businesses, small and large, national and multinational, public and private, that grow or create a particular set of products or provide a particular set of services. It includes business owners, investors, staff and customers, and collectives such as industry associations, representative organisations (employer and employee) and advocacy groups.

What works well in the VET sector

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.

Without a national framework, and national skills standards in particular (i.e. Training Packages), the nation would return to separate state-based training systems. This would result in significant issues for companies and industries that need to work across state borders. A lack of nationally recognised and coordinated skills standards creates barriers to worker mobility and availability. Stakeholders remind us of the problems, prior to the commencement of a national approach, when qualifications were set at a state level, and skills were not automatically recognised across the country. Each state had a range of convoluted and duplicated processes of registering and recognising skills to practice occupations in that state, skills that clearly were not state specific. Criticism of training packages fail to address the fact that without a system of national skill standards, consistency in training outcomes would rapidly diminish, leading to a system that could not deliver the aspirations that we all share for VET.

Training packages are substantial national intellectual property (IP), created by a partnership between Commonwealth and State Governments and industry, with the clear majority of vocational jobs having a skill descriptor (unit of competency) and work roles (job outcomes) described through skill sets and qualifications. Now containing over 17,000 units of competency and 1,400 qualifications, it is widely recognised that future investment in the framework should focus on improvement and rationalisation of the existing system.

The robustness of the framework is in part due to the processes of oversight and regular review using industry mechanisms, supported by Commonwealth Government and States. The current governance structure has embedded the role of industry in the review and development process by the creation of the AISC, IRCs, and SSOs. This structure facilitates industry involvement by engaging with workplace and industry experts in the ways that work is done and the skills needed by industry, both now and in the near future. While there is always room for improvement in the way structures operate, who is involved and how, the principle of national industry involvement via support of expert organisations (currently called SSOs, but prior to that Industry Skills Councils and prior to that National Industry Training Advisory Bodies) under the supervision of Commonwealth and State Government representatives is a key component of the system that works well and has stood the test of time.

A competitive edge for any nation is the ability to develop and add value to their human capital. It does not follow that all individuals or enterprises are willing or able to invest in human capital from scratch. 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.

Where can improvements be made?

In addition to the improvements identified in the areas where VET is working well, we have identified through conversations with thousands of stakeholders over the last two years, many in rural and regional areas, the following areas for improvement.

Industry central to delivery of competency-based skills

The current AISC/IRC structure, supported by SSOs, provides genuine engagement with industry to identify future skills and document the competencies needed for the workforce to be 'job ready'. Industry invests time and resources to ensure the national standards for their sector reflect their current and future needs.

However, implementation of the Australian VET sector is modelled around RTOs delivering training package-based qualifications, usually through institutionalised based teaching, learning and assessment.

Our industry stakeholders actively involved in the standards review and development process consistently maintain that there could, and should, be greater recognition of training undertaken in workplaces and their role in competency assessment.

Over the past ten years, opportunities for industry involvement in training and assessment processes have dwindled due to tighter regulation on training and assessment activity, as implemented by ASQA and state training authorities.

Currently there is little or no opportunity for industry or enterprises to be involved in formal, recognised training delivery, even with an established relationship with an RTO. The type, content, delivery mode, location and timing of training is largely dictated by training providers. These same training providers are, by necessity, motivated by existing enrolment numbers, enrolment opportunities, business viability and reduction in regulatory risk. This means that to deliver training, they need to see sufficient historical demand or anticipate new demand for training in any particular sector.

While some training providers work to build relationships with industries to establish and maintain training markets, they do this voluntarily and to varying degrees. 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 as being deemed irrelevant and redundant. It occurs regardless of the need by industry for training and skills of its current and future workforce.

For many businesses, the above situation results in industry being a passive consumer of the training products that they have helped to design. This leads to a mismatch between the demand for training and the demand for skills. This is particularly so for the industries serviced by Skills Impact as they are often located in rural and regional Australia and have naturally geographically sparse training markets.

The supply driven market is institutionalised at the very top of the VET system. For example, one of the ways the AISC determines training package relevance is by enrolment numbers. While this can be a useful metric in a demand driven system, is it highly flawed when the system is supply driven.

This situation is further exacerbated by the bulk of the \$6.1 billion VET funding (ref NCVER) from both Commonwealth and State Government sources being directed towards RTO training and associated activities requiring RTO involvement (e.g. apprenticeships and traineeships). Only a relatively small level of funding is provided directly to support training outcomes largely focused on specific occupations.

For this situation to change, greater consideration should be placed on allowing RTOs to work with enterprises in a way that supports enterprise delivery aspects of training, including a reduction in RTO regulation to facilitate this.

Recognition of training other than by RTOs

As a result of the well-known institutional delivery problems, many employers have forsaken the VET system to deliver their own in-house training and assessment programs. These programs have resulted in highly competent employees who are unable to obtain a formal qualification or independent evidence of competency. This has a potential knock-on effect with regards to transportability and flexibility of the workforce. Excellent examples of this phenomena are Australia's pharmaceutical and pulp and paper industries where most employees are trained inhouse, to high standards, and as a result they hold skills and competencies recognised by their current employer, but invisible to the wider job market. This poses a range of significant issues, the most obvious, the future of these employees in the instance of industry disruption and enterprise closure.

These two examples are not isolated incidences. They are not the only industries looking outside of the VET sector for training for their staff. It is widely recognised that workplace and adult learning is a mixture of informal and formal training, with most learning taking place informally (Tynjala & Hakkinen, 2004, *e-Learning at Work*). There is a wide range of learning systems, styles, materials and mechanisms available and research shows that increasingly learners want their knowledge learning to be “anywhere, anytime” (Little, 2013, *Issues in mobile learning technology*). Employers are increasingly tapping into these systems for their own benefit and that of their employees. Many sectors report that much of their workforce acquire skills without relying upon RTOs and formal training.

The VET sector risks irrelevance if it cannot embrace and recognise skills acquired by digital learning, enterprise training, coaching and learner directed approaches.

In the recent past the results of alternate forms of learning would have been captured indirectly through Recognition of Prior Learning (RPL), but this approach has become almost non-existent under the current funding and compliance arrangements.

Paradoxically, the sectors that invest the most in skills using enterprise resources are seen by the VET system to be least invested in skills development because these skills are not recorded in the system and the transferrable skills and competencies attained remain invisible to the economy.

The current VET system has become too RTO and training delivery focused and has abandoned the engine room in where most skills formation occurs – the workplace.

Industry central to assessing competence

While industry is encouraged by RTOs to provide on-the-job learning opportunities (either via a traineeship program or unpaid work experience), industry members tell us of their frustration as they watch the trainee return to the provider and be signed off as “competent”, when in their view the trainee is not yet competent nor work ready.

Overwhelmingly, the most frequent complaint about the VET system is that the system does not do what it is set up to do – to train people so that they are competent and work-ready.

It is unrealistic to expect a training provider to turn out competent workers by providing off-site training even when they may include periods of short work placements or practice in an environment that accurately represents workplace conditions. The professions have known this for many years. For example, in medicine and law there are programs in place where people complete university, having been assessed on their knowledge by the institution, and then undergo an additional work placement and subsequent independent industry-based practical assessment, conducted by people considered to be senior in the profession. The professions also recognise that competency must continue to be worked upon to be maintained and they therefore expect that their members will undergo formal and ongoing professional development.

These professional programs recognise that assessment of competence is a form of outcome auditing against industry standards, and as such should be independent from the training process. There are many industry personnel who believe that RTO trainers have a major conflict of interest in being the paid trainer and developer of the skills and then the assessor of competence and the issuer of credentials, based against industry standards. The current system has allowed the RTO sector to be the sole users of training packages and the sole group of organisations allowed to credential workers to industry standards. This

undermines the value of national skill/competency standards and qualifications for many sectors. It is time to consider decoupling VET training from competency assessment and consider formal RTO training as one, albeit major, way of attaining competence.

This can be done by allowing credentialing by relevant industry bodies in addition to RTOs. There are already many examples of industry associations offering certification and accreditation programs to members who already hold VET qualifications, to ensure that the industry can identify truly competent people.

This alternate credentialing process will ensure that skills can be recognised irrespective of how they were attained and increase the recognition of competencies and the number of recognised skilled people available in the economy.

The idea of industry-led competency assessment is not a rejection of the RTO system. RTOs play a valuable role in many sectors and they should continue to be supported in this work, via funding and access to industry recognised competency standards. Conversely, the reform will strengthen RTOs as they can focus on delivery of best practice teaching and learning, and assessment of what people have learned. It is possible that if RTOs were not the sole bodies with allocated responsibility for assessment and issuing of qualifications, there may be less need for the currently extremely high level of RTO regulation.

The above system change needs the VET system to become more nuanced about the use of the term “competent”. There are degrees of competency and industry feedback suggests that these are often understood as:

1. **Workplace Safe to Practice:** the level of knowledge competence attained through formal training where a learner completes their training and has been assessed across a limited number of situations.
2. **Workplace Competency:** The level of competence obtained through workplace-based practice and training, where the learner is supervised and tested in real situations, until competent to practice in the appropriate workplace setting independently. A full apprenticeship, well delivered, would usually result in this degree of competence.
3. **Workplace Advanced Competency:** The level of competence to practice in uncertain, changing and advanced environments. A truly competent person who, over many hours, has tested their competence in a wide range of real and often unexpected situations (often described as requiring 10,000 hours to achieve).

An industry endorsed, or based, model of assessment will need to have sufficient formal rigor in addition to the natural rigor that already exists. An employer or an industry does not want employees in their workplaces with qualifications that are not accompanied by genuinely achieved competency. This is a driver inherent in an industry-based system, not inherent in an RTO based system.

Many industries already have the capability and capacity to manage an industry-based credentialing system, but others do not. It is likely that industry credentialing will initially require government support to be viable, but could deliver many more quality qualifications compared to the current funding system. Most importantly, the funding would be directed at skills and training outcomes and competence in the workplace, rather than training inputs and the regulation of the quality of the inputs.

There is value in directly incentivising industry to train for the benefit of Australia. It is questionable whether having so much focus on funding training providers is the best way to deliver competent workers across Australia.

In summary

The past ten years has seen the VET system drift away from its original design parameters, a VET sector focused on supporting industry to develop the skills and competencies they need for their workplaces in sustain a productive nation.

The scheme now looks like an institutionalised and heavily regulated, government funded, training inputs system with its success measured by the number of enrolments, satisfaction of “students” and RTO regulatory compliance.

The comments and suggestions made in this submission are designed for the review process to consider a shift in focus towards workplace learning and competency attainment with a healthy approach of industry involvement in competency recognition. The suggestions put industry back in the centre of the system to allow for recognition of multiple learning pathways and ensure fully competent, work ready personnel.