

01 March 2021

## **Submission to the Australian Government's Skills Reform Consultation**

### **Question 1: Does the role of industry need to be strengthened or expanded across the VET system? Why/why not?**

The role to which industry commits in the Australian VET system is strong and rightfully recognised internationally. Without it, VET cannot capitalise on its potential to deliver on economic development and business growth. However, efforts must continue to grow industry's role and level of engagement. It is critically important that industry's influence over qualification content is strengthened, and that industry leads the way in assuming other roles in the system.

#### **The role of industry in the VET system and what engagement looks like**

We agree with the roles outlined in the discussion paper but believe different industry stakeholder groups have and want different primary roles and points of engagement.

#### **Qualification development**

- This is efficiently and effectively informed via peak bodies. Can achieve economies of scale in engagement through their members, but also contribute based on broad knowledge of the diversity of job roles and business contexts from across their membership.
- Resulting qualifications more likely to be broad enough rather than specific to particular workplaces, offering enhanced labour mobility and flexibility.
- Also provide advice on current and future skills needs and undertake advocacy and influencing roles on behalf of their members about how VET is achieving its objectives to build the economy and support individuals to achieve meaningful work.
- Employers, particularly small and medium enterprises, are less likely to have detailed input into qualification development but critical to engage in roles focused on:
  - usage of the system
  - broad practical input into the outcomes sought, and
  - the way products are delivered.
- Many employer roles supported through:
  - employers' membership of peak bodies
  - their employees' membership of employee bodies

- third parties such as Australian Apprenticeship Support Networks or Group Training Companies, and
- IRCs' use of their own broad networks.

### Encouraging industry to connect with and use the VET system

The greatest return on investment for the economy will occur by increasing **usage of the system by all employers, particularly small business**. Industry tells us **the greatest impact on usage will be achieved by lifting the quality of training delivery**.

Having said this, we fully support the holistic approach being taken to skills reform in this process which seeks fresh thinking about all the key components of the system.

Regarding increasing engagement in the other roles outlined in the discussion paper:

#### Identifying and forecasting skills needs

- Need to convince employers this is an effective use of their time. They mostly advise us what skills they want for current roles but, like many other stakeholders, find the art of forecasting challenging. Nevertheless, many willingly contribute to our IRCs' Skills Forecasts and the Future Skills Survey conducted by SkillsIQ on behalf of the IRCs.
- Options to increase engagement include:
  - greater systemic collaboration between the National Skills Commission and IRCs to multiply and extend reach
  - tapping into large enterprises with significant supply chains to use as conduits, particularly into regionally based businesses and networks
  - leveraging the membership of peak bodies and their locally and regionally based groups to reach more small and medium enterprises.

#### Collaborating with RTOs

- This occurs now but is likely limited by employers' lack of knowledge about the opportunities and how to engage.
- Deepening engagement in these roles is critical to lifting the quality and usage of the system and could increase through:
  - showcasing current examples and their benefits
  - conducting demonstration pilots in a variety of sectors, business contexts and geographic locations
  - establishing RTO networks, forums or webinars to evaluate case studies and identify implementation strategies in collaboration with local businesses
  - supporting employers to provide meaningful work placements.

**Question 2: Are you aware of the current industry engagement arrangements that are in place to design and develop VET qualifications?**

Yes

### Question 3: How effective are the current industry engagement arrangements in VET in meeting your needs?

As an SSO we can only report on the consistent messages we hear from industry about the current arrangements.

Industry representatives tell us they highly value the nationally recognised portable nature of qualifications and industry leadership in driving the process of development. It is essential to preserve these features in any reform process. There is significant risk in not having a transparent process for establishing industry involvement as it currently exists and skewing it to *ad hoc* big-employer training without a national framework – the consequence of which has been seen in England, where the national system has broken down due to that approach, as opposed to Scotland where a Scottish national standards approach was preserved.

#### What works well?

- Arrangements for development reflecting input by industry (through both employer and employee perspectives) and governments. Joint ownership builds industry support and investment in the qualifications.
- Broad representation on IRCs which are in the main sectorally and geographically diverse and representative of a wide range of businesses, including representation from the training sector.
- Level of commitment from those actively engaged in the IRC process is significant and collaborative, with the majority of IRC members able to contribute from the perspective of public good and accept the IRC majority view when it does not accord with their own view.

#### What could be improved?

- Immediate improvements that could be made include:
  - accountability of IRC members who do not actively engage (i.e., those who are members but never attend meetings or rarely contribute should be replaced)
  - reducing bureaucratic process and recognising that majority industry and jurisdictions' agreement should not be held hostage to a single jurisdiction, or a single industry player's objection
  - delegation of more authority to IRCs as recommended in recent Productivity Commission report.<sup>1</sup>
- As outlined in the response to *Question 1*, we need to focus on lifting **usage of the system** by all employers, but especially by small business. This includes increasing engagement of employers in:
  - hiring VET graduates
  - investing in the skilling of their employees
  - investing in growing their businesses through hiring apprentices and trainees
  - working with RTOs to have their skill needs met
  - providing on-the-ground practical advice about skill and business needs, job roles, and how VET is working, or not, for them.

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<sup>1</sup> Productivity Commission (2020), National Agreement for Skills and Workforce Development Review, Study Report, Canberra, accessed 9 February 2021 at <https://www.pc.gov.au/inquiries/completed/skills-workforce-agreement/report>

- Lifting usage will occur through elevating the quality of training delivery and assessment. As outlined elsewhere in this submission, the concurrent skills reforms which focus on stronger regulation, a more informed market and better data will all support higher quality, as will increasing collaborations between employers and RTOs.
- Improving speed to market of qualifications is also key to building industry engagement in the VET system – see *Question 6* for our suggestions for addressing this critical issue.

### How well do current arrangements allow collaboration across industry sectors?

We have outlined, in response to *Question 4*, how an effective collaboration across sectors was preceded by setting a foundation of trust and understanding. We have also suggested other mechanisms that could improve collaboration.

### 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?

We support the drive for broader and more career pathways and greater workforce mobility. However, there needs to be shared understanding of what will achieve these outcomes. Efforts to broaden qualifications to the point where they lose industry context will undermine the very basis of the VET system and will not serve either job seekers or employers well. Employers will not recognise that candidates have the specific competencies that employers are seeking to fill job roles, and job seekers will find it difficult to identify pathways into work. We concur with the views on this issue expressed in a recent series of articles by the Director, Employment & Skills at the Australian Chamber of Commerce and Industry:

*... the fact that workers are likely to have many jobs over their career is not a reason to try and make a qualification (often their first) prepare them for all of these jobs. The most important role that training can play is to ensure the graduate is as job-ready as possible, and to make the task of securing employment easier.<sup>2</sup>*

She further argues that while industry supports reforms to achieve ‘broad-based qualifications’ based on reducing duplication, developing and recognising more common units and ensuring that ‘soft skills’ are better included and funded in delivery, it does not support a shift away from occupational skill standards as the basis for training relevant to job roles. We agree there are opportunities for reducing duplication and inefficiencies. For example, many cross-sector and occupational convergences characterise the industry sectors covered by the IRCs supported by SkillsIQ. The key is for industry to identify the commonalities, such as those for front-facing services roles, and then to explore what is required for the context in which they are applied.

As an example of difference, communication is quite different in a business services context compared to communication with vulnerable cohorts such as disadvantaged young people, residents in aged care, and people with a disability.

In *Question 5* we outline key risks to be addressed in a wholesale shift to broad occupational clusters and overly simplified standards.

<sup>2</sup> Lambert J, Australian Chamber of Commerce and Industry, (2 December 2020), accessed 16 February 2021 at <https://www.linkedin.com/in/jenny-lambert-9b2a759/detail/recent-activity/posts/>



## Improving collaboration

SkillsIQ established a cross-sector IRC comprised of the Chairs of each of the IRCs it supports to identify synergies in industry characteristics, workforce challenges and skills requirements. This established trust and familiarity with each other's sectors and created positive conditions for a seamless process when three IRCs collaborated to identify synergies in aged care, direct client care and disability support.

Another suggestion is to take a 'place-based' approach in regional areas or hubs. Some examples:

- Where there are large employers, such as local governments and a predominance of seasonal work, they could collaborate to identify and train workers in the common skills required for seasonal jobs to facilitate job mobility, providing continuity of work for individuals and alleviating skill shortages for employers offering seasonal job roles.
- The bush fire crisis, which drove effective place-based responses. Several States worked with industry and employers to rapidly train and deploy workers in skills identified as high-need in particular regions.
- The place-based approach led by local industry and employers could also facilitate greater collaboration across sectors supported by different SSOs (and not just a single SSO) where there are identified synergies.

Previous attempts have been made to achieve efficiencies and remove duplications via cross-sector projects (across SSOs) with varying degrees of success. If further efforts were made, a preliminary step could be development of clear policy and principles in collaboration with IRCs on occupational clusters and synergies.

### Question 5: Are qualifications fit-for-purpose in meeting the needs of industry and learners now and into the future? Why/why not?

There is room to improve design and flexibility.

We note the three key design elements to be tested in qualification reforms set out in the Qualifications Design Survey (see comments below). We address another key recurring theme about qualifications – improving their speed to market – in *Question 6*.

## Qualifications based on appropriately grouped occupation and skills clusters

As outlined previously we:

- support efforts to create broader and more career pathways providing industry drives strategies to achieve this
- do not support a 'one size fits all' design that will be a disservice to employers and individuals.

Some qualifications lend themselves to identification of transferable and cross-sectoral skills. Others will remain specialised.

An example in which IRCs identified mobility across closely aligned job roles and took this into account in qualification redesign:

- Three of the IRCs supported by SkillsIQ worked together to redesign qualifications supporting personal care workers in aged care and disability based on the need to

support workers who move across sectors, while recognising the different skills required for each.

The key is establishing conditions in which industry can identify commonalities and lead the process.

Other risks in making all qualifications broad-based:

- Slower qualification development due to more complexity in the nature and scale of engagement required, undermining one of the objectives of the reform process.
- Increase in 'churn' and cost for employers and individuals due to the greater challenges of appropriately matching individuals to those qualifications for roles that have a values- or aptitude-based selection requirement, e.g., many direct client service roles. The mismatch may not be discovered by the individual or the employer until well down the track.

### **Simplifying products and removing complexity**

We have observed an increase in training packages being used to mandate delivery as a way to address concerns about the quality of RTO implementation.<sup>3</sup>

The reforms underway in relation to RTO quality are welcome, as they will in time reduce the pressure to increase prescription in qualification design. However, improvements in quality will be slow and incremental, and the RTO market is not yet mature enough to build consistent high-quality delivery and assessment for minimal occupational standards. An essential strategy to reduce the risk of simplification would be investment by governments in resources and potentially in detailed training and assessment materials to ensure quality and consistency in implementation.

This will heighten the imperative for industry to lead the way on appropriate detail to support implementation and to ensure occupational standards do not evolve into generic statements that lose their value for employment.

### **Short-form training products**

Many employers tell us the job roles in their organisations do not need whole qualifications.<sup>4</sup> They, like many employees or jobseekers, want 'small bites' of training to quickly deliver the skills needed right now.

We support the flexibility of micro-credentials but with protections, so they do not have long-term unintended impacts such as undermining the transferability of skills. Policy settings must emphasise the link between micro-credentials to career pathways and job outcomes and might include:

- reinforcing the importance of a base of a full qualification so micro-credentials are used primarily:
  - for upskilling/re-skilling as a 'top-up' of existing qualifications
  - as a pathway to a qualification, such as pre-apprenticeship programs

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<sup>3</sup> SkillsIQ (January 2019) Submission to the Vocational Education and Training Review, page 3

<sup>4</sup> SkillsIQ, *ibid*, page 5

- meeting nationally agreed standards and being quality assured
- development, review and endorsement being led by industry.

We fully support the recent statement by Ministers that they are working to agree a clear way forward for micro-credentials which balances speed to market and flexibility at the local level with industry recognition and value to students.<sup>5</sup>

## 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?

### Speed to market of qualifications

Improving speed to market is an important policy objective that will support lifting the engagement of industry in the VET system.

We support the need for qualifications that can be rapidly developed and endorsed so they can reach the market quickly and better align to the speed of change in job roles and skills. COVID-19 showed that when there is a driver for speed to market it can be achieved. However, to make this the norm rather than the exception a number of key issues need to be addressed. Delays can occur:

- in sign-off by the Australian Industry and Skills Committee (AISC) if unanimous support has not been obtained from all stakeholders, resulting in referral back to the IRC to attempt consensus.
- from narrow interpretation by bureaucrats of the rules for development acting as an impediment to implementing a qualification which has secured majority industry support.

### Options

- That AISC members endorse products where they are assured by evidence of:
  - robust consultation
  - clear demand and need for the products, and
  - the majority of stakeholders being strongly supportive of the changes. Products could then be implemented across most of the country.

This might partially address some of the long delays in implementation of products that can occur post-endorsement at State and Territory level. (These delays, which add significantly to industry's frustration, are extensively documented in the 2018 review commissioned by the AISC.)<sup>6</sup>

<sup>5</sup> Australia's Skills and Training Ministers (20 November 2020), Ministerial Statement – Update on Skills Reforms, accessed 10 February 2021 at <https://www.dese.gov.au/skills-reform/skills-reform-ministerial-statements>

<sup>6</sup> Fyusion (January 2018) Training Package Development, Endorsement and Implementation Process Current State Report Prepared for the Australian Industry and Skills Committee. See, for example, page 30 that shows that following publication on TGA there can be up to a further 36 months before teaching begins.

- To reduce the burden on the AISC, empower IRCs through an AISC delegation to approve Cases for Endorsement based on clear criteria, as similarly recommended in the recently released report of the Productivity Commission.<sup>7</sup>

## Other issues that will support increased engagement

### Other reforms underway

We welcome reforms underway to the approach and model of regulation applied by the national VET regulator (ASQA) and the work of the National Skills Commission and the National Careers Institute, all of which will work together to achieve greater confidence in the VET system.

### Recent recommendations from other reviews and reports

We hope that some recommendations in the recently released Productivity Commission report will be considered, including:

- independent assessment. We have previously proposed that **the single biggest intervention to lift the quality and consistency of assessment would be independent assessment**.<sup>8</sup> The Productivity Commission has recommended establishing a model and framework for independent assessment, a theme also addressed by the Expert Review of Australia's VET System.<sup>9</sup>
- options to meet the needs of different cohorts - for example, investing in high-quality pre-apprenticeship programs supporting young people's job-readiness and increasing potential for apprenticeship completions as flagged in the Productivity Commission's recommendations.<sup>10</sup>

Advice from employers is that they will employ more school leavers/hire more apprentices if young people are assisted during secondary school to develop knowledge of career options and start to build job-readiness skills, exposing them to different VET options and pathways from Year 10 so they are aware of VET opportunities and grasp basic job skills such as the importance of communication, reliability, and work health and safety.

Thank you for the opportunity to provide feedback on *Improving Industry Engagement and Reforming Qualifications* in VET.



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<sup>7</sup> Productivity Commission (2020), National Agreement for Skills and Workforce Development Review

<sup>8</sup> SkillsIQ, (January 2019) Submission to the Vocational Education and Training Review, pages 8, 9

<sup>9</sup> Productivity Commission (2020) pages 45, 46 and Commonwealth of Australia, Department of the Prime Minister and Cabinet, Strengthening Skills, page 122

<sup>10</sup> Productivity Commission (2020), page 50