



Submission to the Consultation on the Employment White Paper

Submitted by: Skills Impact
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Focus Theme

5.3 Skills, education and training, upskilling and reskilling, including in transitioning sectors and regions.

Key Points Summary

Skills, education and training are critical to:

- Increasing labour productivity growth and incomes
- The future of work and labour market implications of structural change
- Creating a more inclusive workforce
- Improving labour market outcomes for those who face challenges in employment, including First Nations people, those who live in rural and remote areas, younger and older Australians, people with disability, and those who may experience discrimination, including those who do not have access to training due to low levels of delivery in rural and remote areas.

The success of the Australian skills system is dependent upon collaborative partnerships between governments, industry, unions and communities, including place-based approaches, and in particular, collaboration between federal, state, territory, local and community government and/or leadership, to lead a system which is:

1. Learner/worker-centred
2. Industry-focussed
3. Competency-based
4. Government policy-aligned
5. Understanding of risk as central to the nature of skills i.e., insufficient workforce skills create economic and safety risks for workers, the public and our society. It is not just about productivity.

Key issues to be addressed include:

- The leadership of the Australian Skills System has for the past few years been ineffective, particularly between the Federal, State and Territory governments, the lack (and often overriding) of industry and union leadership, the lack of Regional, Rural and Remote, and First Nation's contribution to leadership, and funding decisions being driven without alignment with vision, values and strategy
- The Vocational Education and Training System (VET) is critically underfunded, leading to increased focus on classroom and virtual delivery instead of achievement of skills; leading to skewing of support to job roles that can take place in offices, urban and virtual environments
- Training supply does not respond to industry skills demand
- The system is becoming less competency-based, and less workplace focused (more classroom focused)
- The system: ignores much of the skill development that occurs on the job by enterprises; it is unbalanced in favour of formally recognised education and training under the AQF; and funded to ensure the predominant place of University education.

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

Submission

Introduction

Australia's Skills Ministers have been working with industries to look at innovative ways of helping them access the skills and training needed for future growth. Skills Ministers have been seeking not only to reform the VET system but develop foundations for delivering the fit-for-purpose skills needed by Australian industries to successfully navigate rapidly changing international markets, workplace tasks and technological developments.

The skills system in Australia is necessarily complex and dynamic. Recent reviews, including the Joyce Review, the Productivity Commission (National Agreement for Skills and Workforce Development Review), the National Regional, Rural and Remote Tertiary Education Study (the Naphthine Report) and other Skills Reform initiatives, have recommended ways in which the system can be improved. There is a need to bring this work into alignment through a vision, values and strategy approach.

A major issue for the Australian Skills System has been its focus on national training packages and associated training products, particularly the minimisation of industry leadership to this focus (and even then, consistently over-ridden by Government priorities and concerns). Industry participants have reported that a weakness of the model currently guiding the Australian Industry and Skills Committee (AISC) is its narrow focus on training package silos, to the detriment of strategies that encompass all skills and educational pathways. The VET system plays a limited, though critical, role in this system, yet the broad objective and the subsidiary objectives of National Government agreements seem to place the future of Australia's skills performance on one element of the system, the VET sector.

To operate effectively, a framework must be established which aligns the leadership of government, industry and unions, to inform decision-making on the identification and prioritisation of work that needs to be undertaken. This will require detailed plans for meeting workforce and skills needs across industry sectors through different education and training pathways (i.e., nationally recognised training, other forms of training and higher education) and any required training product development.

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, as seen in the key finding's diagram below.

Key findings: (in real terms²)

- 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



Preschool

2005-06 **\$600m**
2015-16 **\$1.5bn**



School

2005-06 **\$34.6bn**
2015-16 **\$45bn**



VET

2005-06 **\$5.9bn**
2015-16 **\$5.7bn**



Higher education

2005-06 **\$17bn**
2015-16 **\$25.9bn**

The impacts of lack of leadership

The lack of alignment in leadership has profound impacts for the Australian Skills System, and on addressing the issues being contemplated within the White Paper. As well as the funding issue highlighted in the diagram above (which is discussed later), there are other critical leadership issues that require resolution.

There is a lack of recognition of the complexity of the “market”, which could variously be described as:

- The Skills and Labour market – employers compete for workers with appropriate skills
- The Education market – public and private formal education providers (Universities and RTOs) compete to provide formal qualifications, accessing the best funding available to support their business delivery options
- The Training market – formal and informal training providers, including in-house, member-based association and supplier training, compete to provide training to learners
- The Job market – in which potential employees compete for jobs based on skills and qualifications
- Geographic markets – in which areas at State, Local Government and rural, regional and remote (RRR)-level compete to attract population, workers and industries
- Government led jobs support market - In which governments demonstrate their support for voters and their state economies by promoting selective VET sector credentials (often through free tuition) and the publication of State-based Skills Priority Lists

Due to these market complexities, the federal, states and territory governments have been unable to agree to a uniform regulatory approach, or a uniform adoption of national training products. There is a

lack of consistency in support for the training system through establishment of Industry Training Advisory Boards (ITABs or equivalents) at jurisdictional level, and major differences in State and Territory Training Authority approaches.

There is a lack of recognition of the importance of a variety of learning approaches if diverse learners, including those facing disadvantage, are to appropriately participate in the workforce, and a further lack of recognition of the critical importance of the job and workplace-based learning that the VET system has provided.

The use of “Artificial Intelligence”, including (basic) textual analysis through machine learning, is producing highly reductive analyses of skills, which is failing to identify that skills vary dramatically depending on the nature, level and location of risk (and whether it is to self and/or others), including the potential for widespread impacts on the Australian economy (such as from biosecurity and zoonotic events).

Industry cluster arrangements will aid VET leadership because of the broader involvement of all stakeholders across the range of direct and indirect activities, although the focus remains on VET rather than skills. While a significant improvement, it will require long-term commitment to stability and funding to create the environment for success, which has not been seen in the federated skills system for many years.

The success of the Australian skills system is dependent upon collaborative partnerships between governments, industry, unions, civil society groups and communities, including place-based approaches, and in particular, collaboration between federal, state, territory, local and community government and/or leadership, which is based on leading a system which is:

1. Learner/worker-centred
2. Industry-focussed
3. Competency-based
4. Government policy-aligned
5. Understanding of the role of risk as central to the nature of skills

The Impacts of Lack of Funding

The funding of the entire Australian Skills System is significantly unbalanced. An underfunded VET system has resulted in delivery being weighted towards high volume units and qualifications, leaving few incentives for employers in these areas to actively participate. In these occupations, employers use the labour market to acquire skills without participation in the VET sector or supporting workplace training and learning to develop the next generation of workers.

The only coherent rationale for the huge disparity between VET sector funding and other education (especially university and schools) is the assumption that employers and workers will contribute to the costs. The VET sector is a similar size to the university sector but runs on a quarter of the funding.

Many employers employ skilled employees from the job market without making any contributions to the skilling effort. This can change by the introduction of an industry work-based competency pathway (described below) and by recognising those employers who contribute to the training effort.

Learning complex skills takes time and effort for both the individual and the employer, and many employers are working on just-in-time methodologies (i.e., no planning and no reason to plan, “*skilled staff will be available when I need them via the job market*”) and complain when skills shortages arise and then persist for many years.

Training supply does not respond to industry skills demand

VET providers, RTOs (public (TAFE) and private (not for profit and for profit)), only offer training that meets their business criteria, which is based on enrolment volume, financial viability and risk management. This often does not correlate with industry wide skills demands. Measuring training delivered is measuring what RTOs are prepared and able to deliver, it does not measure industry need.

The skills in most need and in short supply are often specialised in nature, complex, expensive to deliver, and can put RTOs at operational and regulatory risk. RTOs are incentivised to provide training with high enrolment numbers. Recent efforts to streamline skill standards by removing unused or little used units are based on the false rationale that if a unit is not being delivered, the skills contained within it are not needed or used by industry. The impacts of automation and digitisation are starting to be felt in the relocation of VET and jobs from Regional, Rural and Remote Australia to urban areas, despite greater and important need for regional economies.

The White Paper will need to examine options for:

- Recognising important, low job number occupations and skills that exist in each industry and in many regions to identify strategies to address training supply issues.
- Reviewing the current policy settings focussed on deletion of unused or little used units of competency and qualifications unless industry genuinely supports their deletion. Recent deletions have been driven by government concerns (informal policy) and not based on industry need.
- Reforming the regulatory system applying to VET, to support industry and RTOs to work together under lighter regulation for critical skill areas. Light regulation (a concept currently not in place) should only be applied when RTOs work in recognised ways with industry and as guided by national and state funded Industry Skills Bodies, such as industry clusters and state ITABs.
- Recognising and responding to the very high costs associated with delivering training in capital intensive industries, delivery in Regional, Rural and remote Australia and to low volume programs addressing critical skills. RTO's respond very quickly to significant pricing signals, which is useful unless the pricing signals are wrong.

Competency-based in name only

Over the past 15 years, the VET system has slowly drifted towards a classroom/campus-based education delivery system (more usually found in secondary school and university models) that no longer delivers competency or caters for individuals whose learning styles are best suited to participating in activities or solving problems in a hands-on manner in the workplace. The current definition of competency, as used by ASQA, is not suitable to meet learner and industry needs. Without the competency paradigm being revisited, classroom trained students are being issued with competency-based credentials, and this has become the current norm. There are no alternatives to issuing competency-based certificates, so these are issued regardless of the reality of the training received.

Employers do not receive the outcomes from the system as expected or required; they receive educated but untrained staff, who have undertaken training program outcomes but may not be workplace competent. This would be manageable if it was identified, but it is hidden under the competency paradigm. Workplace competency can only be achieved with significant amounts of real-life work practice, such as experienced in a trainee or an apprenticeship-based program. However, less than 10% of VET is now delivered in the apprenticeship and trainee models, with most learning programs divorced from workplace practice.

The White paper should consider options, including:

- Amending the VET system so that it is able to delivery two levels of certification:
 - Level one: training provided by RTOs when they have trained someone, and that person has met the training standards (training competency).

- Level two: when that person has met competency standards after significant workplace practice (work-based competency).
- The second certification will be able to be met by a wide range of current workers who have been in employment and learnt on the job without enrolment in an RTO.
- An enterprise-based skills recognition pathway, which does not currently exist in the current system.
- Movement away from Recognition of Prior Learning to Recognition of Current Competency.

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 industries.

A Skills System, not just a VET System

The Australian Skills System is not just the VET system. 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.

VET is a training delivery system funded by State Governments, delivering training to standards set by the Australian Government via cooperative mechanisms, including the regulators (ASQA and 2 State-based regulators (VRQA and TAC WA)) and national training packages. The system operates through RTOs and ignores much of the skill development that occurs on the job by enterprises, which is estimated to be more than one thousand times greater than the skills efforts of the VET RTO delivery system.

This has effectively impeded the VET system as it is continually examined as being the central solution to a complex problem, and often wears the blame for the ills of the overall system, which stem from a lack of leadership and alignment. An analysis of the productivity impacts of government-driven reforms on VET may demonstrate that they are diverting funds from areas of rapid change that have direct impacts on achieving outcomes for industry and learners. The White Paper should examine 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.

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, as is 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 an argument that most skills learning, and development takes place in the workplace, and through experiential learning, without necessarily leading to qualifications.

In summary

There is a lot of focus in reforming the “VET sector” which is not where the majority of skills are learnt in Australia. They are learnt on the job with support from fellow workers and supervision. The VET sector is not designed to assist in this process, it focuses on students that enrol in its courses, and the broader skills system where most skills are acquired is largely ignored. Jobs and Skills Australia represents an excellent opportunity to look at the whole skills system, to understand the nature of the problems that bedevil it, and to respond accordingly. At the moment a number of solutions are being offered to address issues, but these solutions are not based on a solid understanding of the skill challenges facing Australia and Australians and the current solutions to simplify VET are focusing on the wrong issues. There is a risk that if the current “streamlining and simplification” solutions are followed, the VET sector will further reduce its relevance to employers and industry.