

National Commission of Audit Submission

SkillsDMC Submission against Terms of Reference

Introduction

Under the current Council of Australian Governments' Standing Council on Tertiary Education, Skills and Employment arrangements, the concerns of Industry about the vocational education and training arrangements within the national training system are growing. The continuing exclusion of its participation in any determinative role is resulting in cases where Industry is reconsidering its commitment to the national training system and therefore its partnership with government in key skilling policy areas.

The Government's mechanism (the National Agreement for Skills and Workforce Development) seeks only to achieve qualification targets through State and Territory managed training delivery arrangements that consider quality to be an input measure and success to be achievement of qualifications.

Industry has no seat at the determinative table. Yet Industry is the only group that employs people. Over the past 6 years, Industry has seen a reduction in its representation on matters relating to quality and relevance of training outcomes. This is a reflection of the move from quality where Industry and productivity are the key drivers.

The key failure of the current environment is that it is a regulatory response to the inconsistent quality of training and assessment (inputs and process focused) from Registered Training Organisations. This inconsistency has been identified by Industry in its role as the key arbiter of whether the required knowledge to operate safely and effectively in the workplace has been attained and demonstrated.

In addition, for many years, governments have grappled with the issue of establishing policies for managing the increasing costs of Australia's national training system which includes the vocational education and training arrangements. These increasing costs result from increased demand and normal cost increases associated with service delivery.

KEY MESSAGES

- ❖ The national training system meets a range of Industry, community and individual needs.
- ❖ The vocational education and training arrangements are not responsible for redressing the failures of schooling or post compulsory schooling.
- ❖ The vocational education and training arrangements within the national training system meet the needs of those entering or already in a job.
- ❖ The vocational education and training arrangements within the national training system require partnership led by Industry and to be managed in a manner responsive to business operations.

- ❖ Industry sees the value of investing in skilling the workforce of the present and the workforce of the future but as with any investment, needs to see a return on its investment.

Increased regulation does not of itself equal increased quality. The current arrangements do not address issues of concern to Industry such as: irrelevant content; inflexibility to skilling workers onsite in remote locations and outside “office hours”; and current outputs from Registered Training Organisations being inconsistent and varying greatly in quality and job relevance.

RECOMMENDATIONS

Policy

- ❖ Provide Industry a determinative seat at the policy table, given that Industry invests significantly in the vocational education and training arrangements within the national training system and is the only group that employs people.
- ❖ There needs to be demonstrable evidence that Industry is not only consulted but heard and supported through representative groups such as the Minerals Council of Australia and the Civil Contractors Federation which speak on behalf of their Industry and are looking towards the long-term viability, productivity and sustainability of the Resources and Infrastructure Industry through a highly skilled workforce noting that this is an Industry that has long been the powerhouse of the Australian economy.
- ❖ The quality and relevance of outcomes to the workplace remains the number one concern for Industry in its use of the vocational education and training arrangements within the national training system and the current Industry driven quality project which seeks to give Industry a say in defining quality outcomes, providing advice to Registered Training Organisations as to what constitutes good training from an Industry point-of-view and publicly testifying for good, Industry relevant training provision should be embedded in the skilling process.
- ❖ As evidenced by its participation in skilling co-investment, the Resources and Infrastructure Industry is willing to participate in the vocational education and training arrangements within the national training system where it can determine and define its own quality training outcomes but requires greater shared understanding of the componentry of the system and “who pays”.
- ❖ Under Industry-led vocational education and training arrangements within the national training system in partnership with Government, the more direct say Industry can have in its own training, the more it will participate in the system which will not only grow the national training system but improve Australia’s productivity with an emphasis on training for jobs; not training for training.

RECOMMENDATIONS

Operational

- ❖ Entry level training where it relates to entering employment should be funded jointly by governments as a continuation of existing commitments to a universal entitlement for a publicly funded training place up the Certificate III, should be against Industry specifications of competence and apply quality as an output measure in line with Industry criteria but, in the event of State/Territory Government rationalisation mechanisms, priority should be given to demand identified by Industry and outcomes should be certified by Industry.
- ❖ Existing worker up-skilling or reskilling where it relates to current employment should be funded by the beneficiaries of the outcome these being Government, Industry and the Individual on a co-investment model against Industry specifications of competence and apply quality as an output measure in line with Industry criteria and the outcomes should be certified by Industry.
- ❖ Preparing people for the world of work or career change including remedial education in key areas such as language, literacy, numeracy, digital literacy and financial literacy should be guided by the principle that when people exercise choice outside that which is offered generally, they can reasonably be expected to pay for the “premium” they elect to pursue.
- ❖ Providing life and non-directly vocational skills for individuals and communities to empower their choices must ensure they receive a publicly funded entitlement recognising that a key responsibility of government is to ensure that all people have the basic skills to live, prosper and exercise choice.
- ❖ The role of the States and Territories in partnership with the Commonwealth Government is to fund entry level training and individual and community needs for basic skills to live.
- ❖ For existing workers, a co-investment model between the Commonwealth Government, Industry and the Individual is required.

Context

The Administration Arrangements Order released following the recent Federal Election provides for the following:

- Department of Education : Matters dealt with by the Department (complete list):
 - Schools education policy and programmes, including vocational education and training in schools, but excluding migrant adult education
 - Schooling transitions policy and programmes including career pathways
 - Education and training transitions policy and programmes
 - Youth affairs and programmes, including youth transitions
 - Early childhood and childcare policy and programmes

- Co-ordination of early childhood development policy and responsibilities
 - Higher education policy, regulation and programmes
 - Policy, coordination and support for international education
- Department of Industry : Matters dealt with by the Department (extract):
 - Skills and vocational education policy regulation and programmes
 - Training, including apprenticeships and training and skills assessment services
 - Foundation skills for adults

This signals the recognition that skills and vocational policy sits within the productivity agenda and is more suited to an economic portfolio such as Industry. However, a note of caution is to ensure that pathways for individuals are not interrupted. This can be accommodated by a linking of the three areas listed within the Industry Department with the Education Department responsibilities via a mature interdepartmental relationship directly accountable at a Ministerial level.

The national training system

The primary function of Australia’s national training system including the vocational education and training arrangements is to provide high quality, relevant and assessable training and education for the following cohorts:

Cohort	Funding
Entry level training	Reflecting the views variously expressed by governments that all working age Australians should have a guarantee of a training place to get up to their first Certificate III qualification including the foundation skills for more Australians to have the reading, writing and numeracy skills needed in the modern workplace, this should be fully publicly funded. Responsibility for “who pays” resides with governments (Commonwealth and State/Territory) within their existing policy positions.
Existing worker up-skilling or reskilling	Government has committed to all students having access to an income contingent loan, to make it more affordable to do a government subsidised diploma or advanced diploma so that a person can study without paying for the upfront fees until they earn a specified wage. Recognising that Industry, the economy (government) and the individual are beneficiaries of the existing worker upskill and reskill, a shared funding model is required noting that these existing worker funds are tied to individuals in employment where the reskilling or upskilling relates to the Industry in which they are employed.

Cohort	Funding
Preparing people for the world of work or career change including remedial education in key areas such as language, literacy, numeracy, digital literacy and financial literacy	As in any pursuit when people exercise choice outside that which is offered generally, they can reasonably be expected to pay for the “premium” they elect to pursue.
Providing life and non-directly vocational skills for individuals and communities to empower their choices	This is a universal, publicly funded entitlement for every citizen of Australia recognising that a key responsibility of government is to ensure that all people have the basic skills to live, prosper and exercise choice and overtly overlaps with the obligation of the schooling and post compulsory schooling sector in meeting the foundation skills needs of the Australian population.

Industry does not seek to influence all aspects of the national training system but does consider it critical it provides leadership for the skill needs for both new entrants to the workforce and for existing workers (i.e., the vocational education and training arrangements within the national training system).

The vocational education and training arrangements within the national training system

The focus on a qualification outcome and the direct linking of funding (private and public) to this outcome has skewed the purpose of the vocational education and training arrangements within the national training system. Industry creates jobs. Jobs are comprised of functions or groups of functions which when broken down, determine the skills a person requires to competently and safely perform the job.

The job may be the equivalent of a qualification. It also may not. It should be the unit that is the outcome and is priced. An outcome could range from a single unit of competence up to a qualification.

The promise of the competency based training and assessment policy (which remains an unrealised benefit after nearly two decades) is that enrolment is against a Unit of Competency and Units accumulate over time to meet the requirements for a full qualification – the deepening and broadening of the skills pool is not only maintained but has a purpose.

Industry is made up of businesses that employ people and it seeks to Invest in a productive and sustainable workforce as a shared responsibility in those areas in which it has a role to play. Therefore, Industry's attention is focussed on the goal of building an open and uninterrupted skills pathway which fulfils the knowledge and competency needs of Industry and promotes a sustainable workforce with transferable skills, regardless of the business cycle so a worker can do what needs to be done with zero harm. Industry sees itself as participating in a partnership where it specifies the competencies required of an employee in the workplace through its role in populating Industry Training Packages.

In August 2013, the Compact with the Resources and Infrastructure Industry was signed and committed to by the Minerals Council of Australia; the Civil Contractors Federation; Cement, Concrete and Aggregates Australia; the Australian Drilling Industry Association; the Mining and Energy Division of the Construction, Forestry, Mining and Energy Union; and the Australian Workers' Union. The Compact notes that Industry Training Packages specify the skills and knowledge required to perform effectively in the workplace (i.e., for entry level and existing workers). They do not prescribe how an individual should be trained. Trainers and supervisors develop learning strategies – the 'how' – to support an individual learners' needs, abilities and circumstances. Within this definition, supply side accountabilities should be against meeting Industry need for competency assessment within the context of the workplace.

Since the implementation of co-investment programs by the Commonwealth Government in 2011, the Resources and Infrastructure Industry has invested over \$1.20 for every \$1 the Government has contributed effectively growing the vocational education and training arrangements within the national training system by over 120% without recourse to public funding increases.

This demonstrates Industry's commitment to investing in skilling the workforce where the characteristic of building an open and uninterrupted skills pathway which fulfils the knowledge and competencies needs of Industry and promotes a sustainable workforce with transferable skills, regardless of the business cycle so a worker can do what needs to be done with zero harm is evident.

This arrangement and the above described leadership role of Industry clearly demonstrates that Industry-led vocational education and training arrangements within the national training system is the only way an open and uninterrupted skills pathway can be achieved. This purpose clearly meets the key Terms of Reference for the Commission of Audit of:

1. ensuring taxpayers are receiving value-for-money from each dollar spent;
2. eliminating wasteful spending;
3. identifying areas of unnecessary duplication between the activities of the Commonwealth and other levels of government;
4. identifying areas or programs where Commonwealth involvement is inappropriate, no longer needed, or blurs lines of accountability;

5. improving the overall efficiency and effectiveness with which government services and policy advice are delivered;
6. government having respect for taxpayers in the care with which it spends every dollar of revenue;
7. government doing for people what they cannot do, or cannot do efficiently, for themselves, but no more; and
8. government living within its means.

As indicated above, developing rigour and applying specificity around the cohorts of the national training system, understanding that the cohorts are not an amorphous group and access the system for various reasons and quarantining the vocational education and training arrangements within the national training system for an Industry/Government specific partnership goes a long way to allowing good and well framed public policy debate and development and allows for clarity of roles within these arrangements and across the national training system.

Within the Industry-led vocational education and training arrangements of the national training system co-investment arrangements that support employers to tailor training to suit their current and future workforce skilling needs is proving an unprecedented success. Such a co-investment arrangement, with its essential Industry led characteristic, allows choice to be exercised by companies as to the content, timing and relevance of quality outcomes from training via direct purchasing.

Some companies are using the co-investment arrangement to support training for local communities and indigenous workers, with an emphasis on providing outcomes which will enable people to become team leaders.

Further to this, the Minerals Council of Australia commissioned the National Centre for Vocational Education Research to undertake a study investigating the direct contributions of mining companies to skilling their workforce. The research found the Mining Industry spent almost 5.5% of total payroll on training expenditure. This equates to nearly \$1.2 billion spent on training activity for the financial year ending 30 June 2012.

The Terms of Reference of the Commission of Audit

Industry-led vocational education and training arrangements of the national training system are critical for improvements to productivity through the matching of skills needs, now and into the future, with Industry needs (i.e., jobs).

The co-investment model of skills development for existing workers provides an increase in the investment in Australia's skilling arrangements with limited impact on existing levels of public expenditure and provides a value for money proposition unattainable through other funding arrangements.

The current split of roles and responsibilities between the Commonwealth Government and State and Territory governments are ambiguous in the current National Agreement for Skills and Workforce Development.

These are provided in the Agreement as follows:

ROLES AND RESPONSIBILITIES

Commonwealth responsibilities

26. The Commonwealth will:

- a. provide funding contributions to States and Territories to support their training systems;
- b. provide specific interventions and assistance to support:
 1. Industry investment in training;
 2. Australian Apprenticeships;
 3. literacy and numeracy; and
 4. those seeking to enter the workforce.
- c. coordinate the development and publication of the Annual National Report as legislated under the *Skilling Australia's Workforce Act 2005*; and
- d. ensure data is provided as required.

State and Territory responsibilities

27. States and territories will:

- a. determine resource allocation within their State/Territory;
- b. oversee the expenditure of public funds for, and delivery of, training within states and territories; and
- c. ensure the effective operation of the training market.

Shared responsibilities

28. Develop and maintain the national training system including:

- a. developing and maintaining a system of national regulation of RTOs and of qualification standards;
- b. ensuring high quality training delivery;
- c. supporting and implementing the reform directions;
- d. establishing priorities and developing strategic policy initiatives to deliver the objectives and outcomes of this Agreement, including through the Standing Council on Tertiary Education, Skills and Employment (SCOTESE) and supporting groups;
- e. ensuring RTO compliance with data requirements as specified through regulation and contractual arrangements for public funds, with improved access to data by students and others, including the release of data on a national website such as MySkills and on RTOs' own websites;

- f. supporting Industry to engage directly with RTOs; and
- g. commitment by both levels of government to the sharing of an agreed set of data on the training system and the labour market.

29. Raise the status of VET and Australian Apprenticeships.

There is ambiguity in these roles reflecting the lack of precision in defining the cohorts that comprise the users of the vocational education and training arrangements within the national training system and the absence of recognition that vocational education and training and the national training system are not the same thing.

This is also inadequate recognition of Industry and its role in the partnership model of skilling for jobs. The ability to bring clarity to this area is addressed above through recommendations on operational issues.

In relation to the Commission of Audit's Terms of Reference, the above specifically identifies the following:

- There is a compelling case for the activity to continue to be undertaken but within an Industry led arrangement.
- There is a strong case for continued direct involvement of government but in partnership with and led by Industry.
- Managing expenditure growth is built into the Industry led partnership.
- Industry signals ensure optimal targeting of programs and expenditure.
- In-built mechanisms allow for the periodic evaluation of the effectiveness of expenditure.

How it works

Recent admissions that the vocational education and training arrangements within the national training system do not have the currency of competence in the subject matter of competencies being assessed is a concern and needs to be resolved in a partnership rather than through assertion that this is addressable through further compliance and regulation imposed into the vocational education and training arrangements.

The National Centre for Vocational Education Research report showed the Mining Industry spends more on training per employee than most Industry sectors, and significantly more than the national average. The report also revealed more than 75% of mining operators offered at least one form of nationally recognised training to their employees and about 80% of all employees in the Industry took part in structured training in 2011-12.

Industry does train, but often does so on site and outside the formal training system.

The Industry clearly understands that while some consider training to be a cost, it takes the view that training is an investment and if you think it costs to train, wait until you see what it costs when you don't train including the impact on safety in the workplace. This view ensures improved workplace safety and productivity and that efficiencies are achieved through a skilled workforce. This requires that the content of Industry Training Packages reflects current and future workplace competencies and cannot be held back to meet the needs of suppliers (training providers).

A key unaddressed issue with qualification driven vocational education and training arrangements within the national training system is that once the skills needed have been achieved, there is little incentive to remain in training. The current Council of Australian Governments' qualification targets will be more achievable under the arrangement proposed above (Industry led demand).

The overt re-establishment of a skilling system with the competency based arrangements so desired by Industry but impeded by training systems will be addressed as the flexibility available and accountability to the broad range of system clients (Industry and students) will be elevated.

Within the current supply driven focus of the policy, regulation and administration of the vocational education and training arrangements within the national training system, qualifications are held as being the sector's outcome. However, it is common for a company not to require a complete qualification (i.e., its needs are a skill set/qualification sub set).

Despite advocacy to the contrary, these two areas of demand (a full qualification as a policy outcome and a set of skills as a company need) are not naturally in tension.

As an example, the requirements for a Certificate III in Civil Construction (Bituminous Surfacing) are broadly the successful completion of twenty five (25) units of competency made up of seven (7) core units, plus seven (7) Group A units plus eleven (11) elective units.

If an employer (of medium size) has won a long term contract which requires an upskilling of existing workers and provides the opportunity for back filling with new entrants, it may not immediately require access to the full range of competencies at the Certificate III. The current funding models price qualifications rather than having the flexibility to meet an Industry need in a co-investment arrangement (i.e., they continue supply driven rather Industry led behaviours).

The employer's preference is to utilise the promise of competency based training and assessment to enrol existing workers in Units of Competency within the Industry/Government co-investment model. These employees should be given the opportunity to access the full qualification but should reasonably be expected to contribute to the costs.

In such an environment, using a cost for such a qualification of \$8,000 based on indicative data from current national co-investment projects, the following example would meet all stakeholder and beneficiary needs based on an assumption that:

- of the 25 Units needed for the qualification, the employer needs the employees to have the 7 Core Units, the 7 Group A Specialist Units and the 5 of the elective Units totalling 19 Units;
- the co-investment model allows the government and the employer (in this example) to contribute 50% each to the cost using the current contribution proportion formula; and
- the individual is able to access an income- contingent loan to cover costs of the remaining 6 units should the qualification be the person's intended outcome.

Summary:

Contributor	Percentage of Units (%)	Cost (\$)	Costing basis
Company	75	3,000	75% of the units split 50/50 between the government and the company
Government		3,000	
Individual	25	2,000	Extended income-contingent loan beyond Diploma/ Advanced Diploma covering "top up" as well as full qualification
Total	100	8,000	

Areas of Impact

This submission does not enter into areas of policy that are outside the expertise of SkillsDMC. However, the implementation of Industry led vocational education and training arrangements within the national training system as discussed above should consider other policy areas that could leverage improved market behaviours (e.g., tax deductions for work-related educational expenses).