



NATIONAL SKILLS COMMISSION

Thank you for the opportunity to make a submission concerning the role, structure and functions of the proposed National Skills Commission.

We note that the discussion paper invites comments on the Careers Institute, however, this paper is limited to the Commission. The intent and approach to the Careers Institute is sensible.

About TAFE

TAFEs are the core of delivery of vocational education and training in Australia. Despite the concerns about the declining participation levels in VET and the poor state of some aspects of VET which has given rise to the *Strengthening Skills* review by the Hon Steven Joyce, TAFEs have remained the bedrock of delivery.

Many TAFEs have had their registration as providers renewed for seven-year periods following rigorous assessments by the regulator. This reflects the commitment of TAFEs to quality delivery aligned to needs expressed by industry through national industry training packages.

TAFE Directors Australia represents TAFEs across Australia and TAFE divisions within dual sector universities. Many TAFEs offer schooling and higher education in addition to their core business of formal vocational education and training.

In international education, TAFEs have very few international VET students studying in Australia but have strong overseas programs.

TAFEs deliver around sixty percent of publicly funded vocational education in terms of subjects and nominal hours.

Individual TAFEs may also make individual submissions representing their specific perspective.

Context

The comments in this submission are made in the broad, acknowledging the different purposes vocational education delivers for students, industry and community, ultimately on behalf of governments. There is also a mix of registered training organisations delivering vocational education via public funding, fully fee for service or a mixture. As a result, some aspects of vocational education are used by governments for social policy and economic outcomes, while fee for service responds to employer or individual demand for particular skills.

The causes of decline in participation in VET is multifaceted

TDA notes the declining participation in VET which has been reported extensively in recent years. It is unlikely to be the result solely of withdrawal of funding from governments, except for the downsizing of the student loan scheme.

Causes for the decline is likely manyfold and includes:

- more school leavers choosing university as the preferred and only post-school education destination enabled by demand driven funding for bachelor places and, even though there is a cap on Commonwealth funding, it is unlikely students will return in number to VET and TAFE as university entry has been set as the preferred destination.
- Growth in permanent and temporary skilled migrants to fill jobs in demand, which have become the accepted skilling solutions for some sectors of the economy.
- Reputational damage from provider closures presenting the sector as one in decline, or certainly not the safe avenue for career enhancing education and training.
- Rapid decline in student numbers at diploma and advanced diploma levels following closure of VET FEE-HELP and replacement with VET Student Loans.
- A strong labour market, which presents the incentive for people to pursue work first over preparatory vocational education. This may also result from the perception that VET is not the pathway for entry level training, apart from apprenticeships. The rate of part-time students and high rate of single subject enrolments gives the perception that VET is for targeted upskilling.

There is an opportunity to bring a renewed national focus on skills development as a key social and economic development tool

The establishment of the NSC presents the opportunity to bring a new focus on the skills needed for individuals to build their careers in such a way that also contributes to the productivity lift the economy needs.

The COAG Skills Council has recently set three national reform priorities as relevance, quality and accessibility. The commission has a key role in helping the national system to meet these objectives.

To help its effectiveness all effort should be directed to establishing the commission as the authoritative source of labour market analysis, leveraging the latest available formal and informal data. It should also consider international trends in skills demand analysis to inform local analysis.

The NSC should lead skills analysis across the economy

The NSC should be set-up to provide a key service to governments and the education sectors and industry more widely in performing leading-edge demand analysis. Armed with formal and information data it could provide advice on the skills, knowledge and capabilities required to support ongoing economic growth and preparing Australians (and international students) to maximise their opportunities in work and enterprise. It could provide views on the likely impact of changes to arise from automation and the concomitant industry restructuring, growing global competition and increased expectations of consumers for services such as in the health and care industries.

To be effective, however, the NSC must analyse the full labour market demand and not be limited to those areas traditionally thought to be the domain of vocational education and training. The full extent of demand for occupations plus factors such as wages and job security and standing of occupations in the community influence student decisions to participate. Australia cannot afford the risk of the continuing slide in post-school education

and training participation, so it is vital that factors that impact on that form part of the scope of analysis.

The NSC should inform actions to be taken by the Commonwealth

At the very least the NSC should be utilised to inform the priorities for funding and policy by the Commonwealth across all areas of its activity. Given the workforce challenges expected within defence industries, health, disability and aged care industries, and in innovation and research, just to name a few, the NSC would play a very useful role in presenting the complete picture on skills demands (as well as the factors impinging skills supply) in supporting the federal Government's objectives.

As an example, the Government's Industry Growth Centres, with responsibilities for workforce planning and migration policy, are deeply embedded in workforce demand analysis. There should be strong collaboration across these areas.

The rationale for the NSC to set subsidy levels is not clear but it could give advice on base costs of delivery

The proposal for the NSC to set national subsidy rates (in conjunction with states and territories), to be enforced across states and territories, appears to constrain the role states and territories play in funding to drive vocational outcomes.

Given constitutional arrangements for vocational education in Australia, a Commonwealth statutory role for the NSC is unlikely to hold force in states. Even though *Strengthening Skills* acknowledges a formal Commonwealth-State agreement will be required to implement the subsidy the risk of constraint on states and territories is likely to be too high a price to pay.

There is merit, however, in the NSC:

- providing a perspective on real costs of delivery, which support quality delivery against the expectations of industry defined in training package qualifications;
- providing advice to guide the respective contributions that should be expected of governments, students and employers to vocational education, potentially in line with the expected benefits to each of these agents; and
- overseeing the development of national industry qualifications to ensure requirements are reasonable and in line with the returns to government, students and employers.

TDA's response to Skills Organisations will expand on the latter point.

NSC should provide advice on skilling responses

The results of the analysis should lead to the NSC also being tasked to provide advice on skilling responses. While this should be focused on Commonwealth responsibilities it should be couched in such a way that it can inform state and territory funding decisions.

A key objective must be to provide funding advice and options to lift participation in vocational education, especially for those at risk of marginalisation from the mainstream economy.

A consistent national subsidy is a lower order issue compared to policies and approaches needing to be developed to respond to the broader economic, wage and job security issues that are likely impacting participation in vocational education.

Forecast of skills and knowledge is no use if these cannot be translated into products to guide delivery and assess and certify achievement. There is scope for the NSC to be the independent source of advice on the best approaches to framing skills and the deep knowledge required from teaching and learning to prepare people for work and active participation in society. TDA will expand on this approach in its response to the Skills Organisation discussion paper.

There are existing structures and processes within national training arrangements to govern and guide vocational delivery, with some statutory in nature such as ASQA. There could be benefit, however, in the NSC providing insights into those existing processes, such as the Industry Reference Committees, Skills Service Organisations and the Australian Industry Skills Committee.

The NSC's remit should consider whether fundamental changes are needed to the form and structure of training products and the means of delivery. Of course, this could be a by-product of needing to set base costs for delivery (or other costing and pricing work it would be assigned).

The NSC should be regarded as the national voice for skills demand

The NSC should be promoted and regarded as the national voice on skills demand to trigger community awareness of the priority to engage in lifelong learning through upskilling and reskilling. Its messages can help guide people between higher and vocational education. The Careers Institute can support this role by providing specific guidance to individuals.

In this role it is crucial the NSC promotes a return of deep learning to the sector to generate benefits to individuals and to the economy over the longer term to counter the just-in-time training that seems to dominate policies in the sector at present.

The NSC should operate independently of Government in order to achieve a broader influence

The effectiveness of the NSC and the extent to which industry and the tertiary education sector will respond to demand signals will be enhanced if the NSC is set up separately from the Commonwealth Government. Independence from direct government control will provide the capacity for the commission to explore all issues. Importantly, it will help them to be seen as a genuine and reliable source of advice.

The intent of the term 'Commission' is not clear in the review report nor the discussion paper. Normally, the term implies a statutory role for formal advice to the commissioning authority, normally governments. In the vocational education sector, commissions are used in some jurisdictions as the formal body for skills demand advice to inform government purchasing. In this context it is feasible for the commission to act in a similar way in giving advice to government(s) on skills priorities for their purchasing decisions. It is not clear if this

is the intent, and even less so now that the priority agreed in COAG is for the bulk of public funding decisions to rest with states and territories.

On these grounds it appears as though a statutory role is not warranted.

The NSC will have improved effectiveness if it is a jointly-owned ministerial company

The discussion paper highlights ANTA and AWPA as potential facsimiles for the establishment and governance of the NSC. ANTA had a broad remit to drive national training arrangements in conjunction with national industry, however its capacity to collaborate and bring all jurisdictions together was constrained by Commonwealth ownership as a statutory authority. AWPA, on the other hand, was established as an advisory body for skills demand and supply responses, primarily in respect of vocational education and training. Again, as a Commonwealth established and funded entity it suffered from being perceived as a Commonwealth body only, and ultimately was closed when the Government changed.

Maximising the longevity of the body is one of the key criteria for selecting an ownership and governance model. A jointly owned ministerial company, like the NCVET, seems a suitable model. All jurisdictions should be encouraged to contribute to its operation through financing and governance arrangements.

NCVER could be utilised as the ready vehicle to house the NSC function, potentially to employ and provide services to support the National Skills Commission functions. It would also help avoid duplication of reporting.

The NSC would serve a valuable role in public reporting

A very useful role for the NSC would be independent reporting on levels of funding from governments that supports VET participation. If the NSC were to be established legislatively, then reporting to the national parliament should be one of its objects. This promotes transparency to the community about the efforts of governments to respond to demand.

The relationship of this reporting to existing NCVET and Productivity Commission reporting will need to be carefully considered.

Reporting on a broad range of outcomes should also be considered. The report could be conceived as the state of play in the preparedness of the labour market to support economic growth and meeting social objectives. It could include innovative measures such as progress on labour market participation, employment rates, job progression, wage outcomes and skills development (or value-add from vocational education). The uplift of those presenting with disadvantage should also feature.

There are approaches other than a national subsidy to bring back participation in VET

Strengthening Skills proposes the NSC establish national subsidy levels for qualifications for application by the Commonwealth and states and territories in funding training. The model of a national, potentially unilateral, subsidy rate risks compromising the flexibility states and territories need for responding to local conditions.

The sector has proven over many years through several schemes to be a price taker. Providers have been adept at adjusting delivery (and therefore quality and depth) to meet

the price set by government. This causes swings to particular courses that can be run economically for the funds that are on offer. National funding figures in the Report on Government Services would indicate that delivery and quality is fungible to the funding levels on offer.

The priority, so desperately needed to bring stability back to vocational education, is to ensure there is adequate funding levels to support quality delivery against the expectations within qualifications. In return for increased funding rates it is reasonable for funders to expect and account for the integrity of the training.

Most importantly, it is crucial that supply in key areas can be assured. This not only applies in niche areas of training or in regions, but in areas of training where deep staffing capability or capital is required to underpin quality vocational education. It is a key role of states and territories to assure supply of vocational education and they generally deliver this through their TAFEs with targeted funding as they have governance and accountability tools to assess value. The states and territories also create incentives for other providers, such as community providers, to connect with TAFEs to optimise access points for vocational education.

Assurance of quality supply backed by deep capability should be the higher order priority from funding reforms and agreements between states and territories.

Regularisation of training delivery would be a necessary pre-condition for a national subsidy or national base cost

On face value it would appear almost inconceivable to establish a nationally consistent subsidy level or even a base cost of qualifications (as proposed in this submission). The standards-based approach in VET invites customisation of delivery to suit the circumstances of the students or client and virtually each qualification, even at the same qualification level, has different delivery expectations and durations.

Strengthening Skills points to the need to regularise delivery. For example, recommendation 3.9 proposes that benchmark hours be established and recommendation 5.6 suggests moving to funding bands similar to Commonwealth Supported Places. Whether the flexible and customisable approach to training needs to be traded for national funding consistency needs careful consideration. On balance TDA favours the latter as the basis for bringing back confidence in the quality and consistency of training.

Another important prerequisite is to establish input costs for quality delivery. An important starting point is a functional decomposition of qualification requirements and estimates of actual delivery requirements. The increase in qualifications of work placements and assessment conditions has increased the cost of delivery, yet there has been little adjustment to funding across both levels of government. Zero-base costing exercises have proven difficult exercises in the past so the work would need to proceed carefully.

The forecast of skills is inexact in nature

In the context of fluid industry structures, the dynamic attributes of occupations, and swings in demand that are caused by exogenous factors it is important to note the difficulty in landing projections to guide planning of training delivery.

It is not too long ago that the principle in the National Partnership for Skills Reform focused on student choice as the most robust allocative method to align skills supply with demand.

The NSC's guidance should be mindful of the limitations of forecasting and the application in skill responses.

Conclusion

TDA supports the establishment of the NSC as a jointly owned ministerial company so it can inform all governments on the demand for skills in the economy. The NSC can play a strong public role in promoting participation in lifelong learning and reporting on the effectiveness of actions by governments.

While forecasting is not an exact science it can point to the areas for attention for vocational education responses. These responses can only be effective if the full range of factors impacting on participation in vocational education is considered.

There is a strong call from across the sector for a fundamental rethink of how vocational education responses are structured. The current approach to training packages and competency-based training design is not broad enough to prepare people to be pro-active learners capable of adapting to changes in expectations of work. The NSC can help provide advice on the nature of skills for the future, which should then require education practitioners to consider new approaches.

The proposal for a consistent national subsidy rate for qualifications is not supported at this time for two reasons. First, it risks constraining the flexibility jurisdictions need to respond to local demands and second there would need to be extensive regularisation of training requirements so that such a subsidy could be applied without unintended consequences. It is vital, however, for the NSC to take steps to look at the core costs of delivery to ensure funding levels are sufficient to ensure requirements are delivered to a consistent high standard for the benefit of students.

A major downfall in governance of vocational education in Australia is the exclusion of training organisations in the direction setting and design of vocational education responses. Not all vocational education is directed to responding to industry need, nor should all qualification content. There is a strong case for deep vocational education expertise to guide the next stage of evolution of vocational education in Australia. TDA will provide views in its response to skills organisation proposals.