SUBMISSION FROM TAFE DIRECTORS AUSTRALIA

NEW INDUSTRY ENGAGEMENT ARRANGEMENTS

This submission provides feedback on the Transition Advisory Group (TAG) advice to the Australian Government regarding proposed industry engagement arrangements for vocational education and training in Australia.

CONTEXT

TAFE Directors Australia (TDA) is the peak national body that represents Australia's national network of publicly owned Technical and Further Education (TAFE) institutes and university TAFE divisions. Of the 28 TDA TAFE members, ten TAFEs are higher education providers and a further six are TAFE divisions of dual sector public universities. Indeed, TDA TAFE members offer education and skill training across VET in secondary schools, post-school VET including apprenticeships and traineeships, and higher education graduate and post-graduate programs.

Importantly, this breadth of scope is reflected in TAFE-industry-employer-local community engagement across Australia in our cities and suburbs, and in regional, rural and remote Australia. It is also reflected in the continuous industry currency of TAFE educators and skill trainers for VET and for higher education. As a result, TAFEs have a proud legacy of providing a broad range of job ready graduates for employers in their local community.

COMMENTS

TDA offers six broad considerations to inform the final proposal for industry engagement.

1. Explicit mention of RTOs to foster codesign principles

The current VET qualification redesign process, as outlined in the Department of Education, Skills and Employment's (DESE) qualification discussion paper, recommends more education input drawing on occupation standards, which themselves should be drawn from outreach to industry. TDA embraces the proposed qualification reforms. However, TDA suggests the TAG advice fails to explicitly support these recommendations of educator input and that needs to be addressed.

On educational input, the way this is organised is an important design principle. Figure 4 of TAG's report (page 11) provides an example of a cluster organisation structure. There is no explicit mention of the role of education providers in this model. Successful collaboration and co-design from the outset will ensure innovation is able to be delivered. This figure should be rectified to be consistent with the proposed in the qualification reform piece.

The qualification paper states the new design will mean qualifications will need less frequent renewal, primarily as the functions of occupations are reasonably stable over time. These point to less training package development work for industry clusters overall and the need for a quality assured system involving educators to be front and centre in the process. Holistically, this supports the overall objective expected of industry clusters to undertake workforce design and skills outreach with industry to help businesses re-engage in VET.

2. Impact of rapid development in terms of RTO system change

There is no doubt there is a need for an industry voice to guide the content of training. As a design principle, industry input should avoid regulatory imposts, which the current Registered Training Organisation (RTO) Standards and Training Package requirements promote. As members of the TAG so rightly conclude one of the challenges of the current system is the extraordinary time to market to deliver qualifications.

TDA agrees the nature of work in the next few years is changing so rapidly the constraints that produce this long lead time to market must be removed. TDA also actively supports the use of micro-credentials as a mechanism to rapidly meet industry needs.

However, the efficacy of the end-end changes to training products needs to be considered through an economic lens. As TAG notes, the right incentives need to be embedded from the start to avoid replicating '...funding arrangements incentivising poorly aligned behaviours and activities' (page 4). The greatest impact on changes to training products are downstream in TAFEs, which have a broad offering of VET and the greatest diversification in students. The value of training product changes should have an economic lens overlay to determine if the changes are materially adding value to meeting Australia's current and future workforce skills needs.

3. Accountability for VET System Performance

TAG states '...the VET system is fragmented and overly complex making it difficult for employers and learners to navigate...' and 'employer satisfaction...has fallen over the last

decade' (page 2). It seems clear the current industry led National Training System (NTS) arrangements lack accountability, otherwise we would not have seen this extended decline.

The Hon. Steven Joyce in his 2019 report *Strengthening Skills: Expert Review of Australia's Vocational Education and Training System* noted accountability may come from organisations in the new arrangements needing to '…show they are supported by industry peak bodies, large and small employers, registration bodies, and other key stakeholders across the States and Territories to obtain and keep the coverage of their industry or industries.' [1]

TAG sets out accountability mechanisms for the proposed industry engagement arrangements. TAG states it is '…important for cluster accountability for there to be mechanisms for industries to move to a different cluster if they were concerned that their current cluster was not performing or adequately addressing the needs of their industry.' (page 9). It is also stated there is a need for '…periodic reviews of cluster operation to ensure a continuing good level of alignment of all industries with their cluster grouping – and provide for movement of specific industries between clusters as necessary.'

However, it would seem likely other reasons may result in industry movement between clusters that will not be performance related. At the least, the need for transparency for that industry's employers, registration bodies, and other key stakeholders to have input into these proposed movements is worth consideration so any movement is well supported. The impact of such movements on TAFEs must also be considered, where any movements risk disruption to the NTS.

Lack of systemic accountability is reflected in TAG noting the '…lack of clarity about the roles and responsibilities of key entities across the VET system, the lack of robust performance measures and accountability mechanisms, and funding arrangements incentivising poorly aligned behaviours and activities' (page 4). Cluster accountability to their stakeholders will not of itself address systemic accountability, nor will cluster movement address such concerns.

A set of consistent systemic NTS Key Performance Indicators (KPIs) may be developed. If it is the case the NTS has become fragmented and overly complex, for at least a decade, then there is an argument to initiate KPIs that provide transparent, systemic accountability. The new industry engagement architecture (Figure 2 of TAG's report) indicates oversight of the NTS

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[1] https://pmc.gov.au/sites/default/files/publications/strengthening-skills-independent-review-australia-vets_1.pdf page 59

performance rests with Skills Ministers. It is difficult to see Skills Ministers '…monitoring the performance of the system…' (page 7) if there is no agreed transparent, systemic KPIs.

4.   Role of the National Skills Commissioner

The National Skills Commissioner (the Commissioner) appears to have legislative responsibilities for VET system performance that perhaps TAG's paper, especially Figure 2, may not fully reflect.

Section 7 of the *National Skills Commissioner Act 2020* (the Act) sets out the functions of the Commissioner. These functions include the Commissioner's provision of advice to the Minister or to the Secretary in relation the performance of Australia's system for providing VET – see clause 7 (a) (iv) of the Act.   The performance of the NTS, and the widely accepted centrality of industry engagement to the performance of the industry led NTS, seems to indicate the Commissioner is legislatively required to annually report on the performance of industry engagement arrangements. If this is the case, then the Commissioner may need to have a role in the development and monitoring of KPIs on the performance of Australia's national system for VET provision, including on KPIs for industry engagement arrangements.

5.   Industry Cluster Model based on ANZSIC Codes

Figure 3 of TAG's report (page 10) sets out the proposed nine industry clusters based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) codes[2]. TDA supports these proposed cluster arrangements, while recognising these are only proposed.

At the commencement of DESE's consultations on new industry arrangements, TDA indicated some principles it saw as central to determining industry clusters. These were that the fewer the number of clusters the better, alignment of clusters to give effect to the Hon. Steven Joyce's recommendations to de-clutter the NTS, reduce NTS operating costs and bottlenecks, and to create the conditions for greater labour mobility within the economy.

Since TDA made these representations to DESE, the National Skills Commissioner has produced the *Australian Skills Classification* (ASC)[3], beta version. It is TDA's view the ASC should not be undervalued, as the ASC analysis seeks to reflect the real economy. The ASC reinforces that there are common skills in demand across the economy and, even more so,

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[2] https://www.abs.gov.au/ausstats/abs@.nsf/0/20C5B5A4F46DF95BCA25711F00146D75?opendocument

[3] https://www.nationalskillscommission.gov.au/our-work/australian-skills-classification

there are common skills within sectors of the economy such as the broad health sector and such as the broad caring sector. TDA considers the industry cluster model should continue to be tested against sectors in the real economy and how skills cluster across the economy.

6. Independent Approval Body

TAG proposes an '...independent approval body to replace the Australian Industry and Skills Committee (AISC) with a narrower role to assess training product compliance against the Training Package Organising Framework' (page 7). While it is understood the proposed national approval body was not specifically a TAG focus, TDA has concerns about the development of such a body. How will the independent approval body ensure it is not a barrier to speed to market, especially given its responsibilities contain a significant level of procedural/ process tasks. These responsibilities include assessing training product compliance against the Training Package Organising Framework and ensuring training products meet the relevant standards set by Skills Ministers. Both tasks appear to be a compliance or pseudo regulatory roles, in a sector already heavily regulated.

TDA argues one of the major flaws in the existing governance of the NTS is the number and range of bodies that appear to hold accountability for parts of the NTS, without much systemic coherence. This is most apparent between the Australian Skills Quality Authority (AQSA) and the AISC. Greater coherence in accountability under any new industry engagement arrangements is needed.

Consideration of differentiation between 'major and minor reviews' in terms of what Skills Ministers endorse should also be considered in this context, including delegation of any minor reviews to existing regulatory bodies.

It appears the proposed approval body will not have a role to resolve '...inevitable stakeholder disputes that arise within skill cluster organisations...', contrary to current practice with respect to the AISC, as it appears '...cluster organisations will be charged with responsibility to resolve the inevitable stakeholder disputes that arise...' (page 2). TDA considers this a reasonable step in aligning accountability with responsibility, with this accountability best sitting with the responsibilities of Industry Clusters.

Finally, it is surprising to see that TAG flagged the possibility of '...a potential role for industry in the work of the independent approval body.' (page 7). While only posed as a question by TAG, TDA would be keen to understand the rationale and any benefits balanced against potential downside outcomes.

As an alternative approach, if the independent approval body is sought to be implemented, is to consider the independent approval body as an advisory committee to the National Skills Commissioner, as enabled under clause 8 of the Act, rather than an approval body that reflects the composition of those bodies potentially making representations to it.

CONCLUSION

A National Training System does not achieve its outcomes in isolation from the considerable input and expertise of tertiary sector educators and skill trainers.

TDA TAFE members offer VET in secondary schools, post-school VET including apprenticeships and traineeships, and higher education graduate and post-graduate programs.

Importantly, TAFEs have coverage across Australia including offering education and skill training to regional and rural Australia. This is important as it is reflected in TAFE-industry-employer-local community engagement across Australia in our cities and suburbs, and in regional, rural and remote Australia.

It is also reflected in the continuous industry currency of TAFE educators and skill trainers for VET and for higher education. As a result, TAFEs have a proud legacy of providing a broad range of job ready graduates for employers in their local community.

The importance of qualification design for effective delivery involving both educators and industry at the onset cannot be overstated. The increasing prescriptive nature of the current system has removed agility and local responsiveness. Retaining the strengths of our national vocational education and training framework is critical, but it must come with the enabling of greater locally led solutions.

In this submission we have recognised the importance of Industry Engagement Arrangements and their centrality to the NTS. This centrality needs to be recognised in system responsibility and accountability, including that defined in legislation. On this, the decades long flaws in the current system seem to indicate the breaking of key tenets of good governance, that is the linking of accountability with responsibility, and the risk posed when accountability is diluted across too many system agents.