



# Redlaunch Submission

## **Education, Employment and Workplace Relations Senate Committee**

### **Inquiry into Industry Skills Councils 2010**

## **About Redlaunch**

Redlaunch is a vocational education and training (VET) consultancy offering extensive experience across the range of VET practice, including training, RTO management and high-level policy, program and resource development, supported by online solutions.

For the past six years, Redlaunch has been contracted to manage two NSW Industry Training Advisory Bodies (ITABs), namely, the NSW Food Industry Training Council and the NSW Retail, Wholesale and Associated Services Industry Training Council (NSW WRAPS), together encompassing seventeen industries with a myriad of key industry stakeholders.

As the quality of an industry's Training Package, support materials and qualification/unit delivery and assessment strategies directly impact graduate and workforce outcomes, Redlaunch has a particular interest in ensuring their authentic development and workplace integration, to enhance enterprise professional capability and economic growth.

## **Summary**

Redlaunch thanks the Education, Employment and Workplace Relations Senate Committee for this opportunity to respond to your Inquiry into the Industry Skills Councils (ISCs). In present form, the National Training System is eighteen years old, with ISCs being the second generation of national industry training bodies responsible for the development of Training Packages, the critical VET product upon which the system pivots. It is now timely to introduce a new, inclusive Australian tertiary education governance structure as recommended in recent high-level reviews.

### **Recommendation:**

The existing national industry training advisory arrangements, including the role of the Industry Skills Councils and all related functionality, should be totally redesigned with the introduction of a new Tertiary Education and Training Governance Framework as recommended by both Skills Australia and the Bradley Review, after extensive stakeholder consultation.

## Response

### **(a) The role and effectiveness of Industry Skills Councils (ISCs) in the operation of the national training system particularly as it relates to states and territories and rural and regional Australia;**

Although the Commonwealth Government has expanded the role of the Industry Skills Councils (ISCs) over recent years, their pivotal function remains the re/development and continuous improvement of Training Packages, the critical VET product that underpins the national training system by defining an industry's vocational qualifications and competency standards.

In an endeavour to ensure consistent, transparent and accountable processes across ISCs, the National Quality Council (NQC) defined a model in 2008 for the re/development, continuous improvement and subsequent endorsement of Training Packages. However, our experiences with two different ISCs engaged in Training Package reviews, namely Service Skills Australia (SSA) and Agrifood Skills Australia (AFISC), demonstrated clearly that this model tolerates deep flaws resulting in poor quality Training Package products because the following three key components may be glossed over by ISCs:

- *effective industry stakeholder consultation and engagement*, to inform the workplace functional and vocational outcomes analyses that determine a sector's qualifications, packaging rules and unit content, particularly in addressing enterprise, licensing and legislative/regulatory needs (compared with ISC 'briefings' to the State Training Authority, the state's consultation body nominated in the NQC model);
- *industry-specific technical expert writer/s* to ensure competency standards and qualification packaging rules meet benchmarked current and emerging industry practice; and
- *quantifiable, measurable and relevant assessment evidence requirements in units of competency* to overcome inconsistent interpretation and implementation by training providers.

Our recent correspondence to the Minister for Education and Chair of the NQC, included at Attachments 1 and 2, illustrate such ISC Training Package development problems in action. It is noted that no formal appeals mechanism exists for industry to lodge concerns about ISC Training Package reviews. The problem is further exacerbated now that the requirement for final state and territory Ministerial sign-off has been removed from the NQC process.

Given that Training Packages have matured through the past decade of revisions, and with individual ISCs still protecting sector divides and their right to customise even units with generic application like OHS (*eg, more than 500 OHS units exist on NTIS.gov.au*) and Food Safety, it is timely to transfer this responsibility from the ISCs to Skills Australia to ensure that:

- qualifications and units do actually reflect industry's current and emerging workforce development requirements;
- the existing duplication across and within Training Packages, qualifications and units may be removed to improve effectiveness and skills portability across different sectors and industries;
- any potential conflicts of interest are addressed where ISCs 'consult' with enterprises on Training Packages that increasingly have industrial implications with qualification alignment to award levels, but also interact with those same enterprises as brokers for government funding, for instance the Enterprise-based Productivity Places Program (EBPPP);
- a single official accreditation process may be implemented with the university sector that allows credit transfer from vocational qualifications into university, rather than continue the ISC one-on-one negotiations that now occur, if at all.

A second important ISC role is to deliver comprehensive, current, evidence-based industry intelligence through annual reports, called Environmental Scans, that inform national, state, regional and rural skills strategies to drive Australia's economic growth. However, unlike their ANTA-era predecessors, ISCs and related state Industry Training Advisory Bodies (ITABs) are now not mutually funded to support cooperative,

government-recognised networks for data-harvesting and collection of advice from states and local regions for inclusion into those Scans that hold high significance for the Department of Education, Employment and Workplace Relations (DEEWR).

From an industry perspective, it is vital that the training advisory bodies at different levels of government work in close collaboration to ensure that multiple nor conflicting demands for input are not being placed on various industry stakeholders, particularly individual enterprises.

Unfortunately, it appears that ISC-state ITAB interaction today varies from close working relationships to open disrespect. In NSW, a further complication and conflict of interest, particularly over Training Package development, has been introduced whereby the State Government now funds six ISCs to do the work of local ITABs too. In this unstructured environment, collaborative national-state industry efforts often rely on personalities and goodwill at best, but even ISC payments to establish an employer-employee relationship with the state ITAB, or to draw their people to ISC 'network' meetings, that may offer little real benefit beyond an attendance sheet.

The re-introduction of strong networks of collaborative national and state industry advisory arrangements through the formation of an Australian Tertiary Education and Training Governance Framework as recommended by Skills Australia and the Bradley Review, would increase capability and reach, improve outcomes and avoid duplication of effort and demands on industry stakeholders.

To give added value to ISC network outcomes, it is suggested that common processes be implemented across all ISCs wherever appropriate. The development of the Environmental Scan offers an example whereby the ISCs together with state ITABs and other key stakeholders, could gather qualitative and quantitative industry intelligence using the same diagnostic tools designed for a designated range of specific indicators such as demographic profile, employment participation, skills and labour

shortages, domestic and export opportunities, accredited and non-accredited workforce development participation and completion rates, emerging trends, existing barriers to skills achievement, RTO sector profiles (eg, qualifications on scope versus qualifications actually being delivered) and industry engagement in relevant national and state funded programs such as Green Skills etc.

It is noted that ISCs are not the voices of industry though the claim may be heard publicly. Hence in the absence of a formal VET governance structure that independently recognises the peak national industry associations, unions and other major stakeholders, ISCs should be required to establish MOUs with relevant bodies to ensure that adequate industry consultation and intelligence validation mechanisms are in place, and that there are clear terms of reference for representative membership of ISC boards and committees.

Another role of ISCs in the arena of workforce development raises concern in terms of risks and potential conflicts of interest. As the existing national hub of Training Package development and industry skills intelligence and advice, those roles may be compromised when the ISC also acts as program provider, for example, by managing the competitive allocation of limited funded places to companies through the Enterprise-based Productivity Places Program (PPP) because, for instance, those who seek funding may not wish to offer a contrary view to that prevailing in the ISC, for fear of jeopardising their position. Also, it is our observation that the capability, expertise and necessary systems to fully administer and monitor such a complex nation-wide initiative involving significant public monies and requiring equitable distribution, also varies from one ISC to another.

On the other hand, with an ageing workforce, rapid technological change and global economic competition among the major drivers of the need for a broadening and a deepening of Australia's skills base, ISCs could play a really valuable role in enhancing enterprise workforce development through supporting Registered Training Providers (RTOs) in funded

program delivery to better meet the Australian Quality Training Framework (AQTF), particularly those standards related to Training Package implementation and meeting workplace and, where relevant, regulatory requirements. The ISCs could be tasked with compiling capability profiles of RTOs in receipt of public funding; facilitating industry-specific professional development for trainers and assessors as well as mentoring RTOs regarding their training and assessment strategies to meet business/learner needs and Training Package and other AQTF requirements, including Continuous Improvement.

It is our witness that many RTOs simply do not provide any operational and/or financial benefit to the business through their current 'training' practices. We submit that productivity gains will be visible where ISCs work closely with RTOs to introduce new skilling models to improve human capital, rather than just 'deliver and assess training'. Such strategic work by ISCs would be invaluable in underpinning the introduction of the new national regulator, the Tertiary Education Quality and Standards Agency, and would provide DEEWR with measurable performance indicators against which to evaluate the ISC role.

*"The underlying idea is that economies with more human capital innovate at a higher rate than those with less human capital, implying that nations with larger human capital in their workers keep seeing more productivity gains...Finally, because economic benefits accrue at varying times into the future, it is important to recognise that more immediate benefits are both more valuable and more certain than those far in the future.*

(OECD 2010 Report: The High Cost of Low Educational Performance)

**Recommendation:**

The existing national industry training advisory arrangements, including the role of the Industry Skills Councils and all related functionality, should be totally redesigned with the introduction of a new Tertiary Education and Training Governance Framework as recommended by both Skills Australia and the Bradley Review, after extensive stakeholder consultation.

**(b) Accountability mechanisms in relation to Commonwealth funding for the general operation and specific projects and programs of each ISC;**

ISCs are independent, ASIC-registered companies that are contracted by the Commonwealth Government for service to the nation. Therefore, all public monies received by ISCs for their base and extra project funding, should be both fully accountable and transparent in the public domain, thus allowing general accessibility by stakeholders, beyond their Boards.

However, it is our experience that reasonable requests for information to ISCs by industry parties about their government funding, including the budget allocated to, and spent on, particular Training Package reviews, have been rejected outright. This concern also raises the point about how ISCs choose to allocate their budgets internally to various functions, should be more closely scrutinised by their DEEWR contract managers, in order to ensure beneficial outputs escribing quality outcomes.

**(c) Corporate governance arrangements of ISCs**

A single observation is that some ISCs appear to be tightly influenced in their strategic direction by a narrow band of industry stakeholders and/or their operational managers, whereby pre-determined outcomes are presented in the "consultation" round/s for "validation by industry", without allowing open discussion and general consensus to inform the position.

**(d) Commonwealth Government processes to prioritise funding allocations across all ISCs**

To determine funding allocations to ISCs, Redlaunch proposes the introduction of a fair, equitable and strategic formula guided by the following five principles:

- **Equity** – fair and equitable base funding across industry sectors



- **Responsiveness** – national goals and responsibilities are accommodated (that is, accounts for economic/ infrastructure critical drivers)
- **Accessibility** – adjustable for unique cost and quality characteristics of service delivery in regional and rural locations; and changes in emerging workforce capability development (eg, introduction of new Training Packages/qualifications/skill sets/industry trends or technologies);
- **Transparency** - open to public scrutiny; simple, realistic and understandable; promotes review of the relevant formula indicators
- **Accountability** – defines the inherent measures and cost structure so that the parties can well understand their reporting requirements.

Such a formula could offer equal base funding to all ISCs for common services, adjusted upwards by key weighting indicators such as an industry's urban/regional demographic, strategic economic importance, participation in Government initiatives (eg, National Broadband Network), engagement in change management practices (eg, to overcome the impacts of drought, fire), emerging technologies (eg, electric car) etc, with each indicator related to additional ISC delivery and performance measures.

### **(e) ISC network arrangements and cooperative mechanisms implemented between relevant boards**

Rather than continuing to rely on the establishment of cooperative arrangements between ISCs as agreed by the parties, it would be preferable to formalise the mechanism through either their contracts or the introduction of a national VET Governance Framework. For instance in the latter case, one way of forming inclusive partnerships between ISCs and other key stakeholders in the service of the national VET agenda, was proposed in the NSW Food Industry Council's response (at Attachment 3) to the Skills Australia ***Foundations for the Future: Draft Proposals for***

***Future Governance, Architecture and Market Design for the National Training System***, in the leadership segment of the model at page 14, with jargon buster at Annexure 1 (pages 15-17).

**(f) the accrual of accumulated surpluses from public funding over the life of each ISC's operation and its use and purpose**

If ISCs continue to accrue unspent public dollars from Commonwealth contracts, then accountability measures must be implemented by DEEWR to guide the future expenditure of that sum for the common good of industry, and not for the private company's benefit or savings.

Alternatively, the amount could be rolled over into, or deducted from, a subsequent contract.

**(g) the effectiveness of each ISC in implementing specific training initiatives, for example the Skills for Sustainability initiative under the National Green Skills Agreement**

In our view, the Skills for Sustainability initiative offers an opportunity to demonstrate how existing problems in the current VET system may impede the skills development needed to support the implementation of important government strategies, for example:

- *Sustainability in Training Packages*: three generic guideline units of competency were developed in 2006 (with poor internal alignment of elements, performance criteria, required skills and knowledge and critical aspects of assessment). To our knowledge, these units have not since undergone general industry review and redesign. However, ISCs did respond to a government directive in 2009 to include 'sustainability' units in all qualifications. ISCs 'customised' these three units, directly spawning at least another seventeen units, or identified or developed other 'sustainability-related' units, and so hampering workers' skills portability across industries, instead of implementing common, quality units and showing RTOs how to 'customise' their delivery and assessment strategies according to industry need.

- *Sustainability Strategic Directions at National and State Government Levels require a successful partnership of ISCs and state ITABs:* For example, in April 2009, the NSW Government announced its Energy Efficiency Strategy and the creation of a NSW Green Skills Taskforce to encourage businesses to 'green up' their workforces through the introduction of a program with three components: Professional Development, Training and Projects. Other states have equally valuable local initiatives under the Green Skills Agreement but may have taken a different approach to achieve similar aims. Therefore, unless ISCs have offices in each state and territory, it is difficult for them to work in isolation from the state ITABs and still ensure seamless training policy and program integration nationally, for the benefit of their industries.
- *ISC Integrated Sustainability Framework:* Sometimes Training Packages provide an artificial construct in dividing related/vertical industry sectors, both within and across ISCs. This can lead to different skills solutions and worker outcomes that impact various areas of the same industry in greater or lesser ways, eg licensing, incompatible skills/qualification requirements etc. Therefore, in order to lead an effective national 'Skills for Sustainability' initiative, we believe that the ISCs together, would need to first develop and then consult on a joint, formal 'strategic implementation plan' incorporating their individual strategies, to guide and inform this work and overcome any conflicting issues of direction, inputs, outcomes and quality.

#### **(h) any related matters**

Applications for other VET-related Commonwealth Government-funded projects increasingly require a letter of support to be submitted from the relevant ISC as a criteria for eligibility, with perhaps the rationale being to ensure national industry need or to overcome duplication of effort, but realistically, this is often an obstructive impossibility and cuts across equity of access and further tips the power balance to ISC control.