



# Co-designing the National Skills Commission and Skills Organisation Pilots

CCIWA Submission

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Chamber of Commerce  
and Industry WA

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## **Background**

The Chamber of Commerce and Industry of Western Australia (CCIWA) welcomes the opportunity to provide input into the design of a new institutional structure for Australia's Vocational Education and Training (VET) system. This submission provides comment on the essential functions and design of both the proposed Skills Organisations (SO) and National Skills Commission (NSC). These submissions have been combined as both institutions are closely linked, and CCIWA's views on VET system design are consistent across both the SOs and the NSC.

This submission outlines what CCIWA sees as the significant challenges currently facing the VET system, the principles that should underpin reform and the design of the proposed institutions. The submission also outlines the overarching principles that we consider should guide the roles of SOs and the NSC.

## **Challenges with Current Arrangements**

CCIWA agrees with the significant challenges facing the VET sector, as outlined in the Joyce Review, including:

1. Continuing variation in quality between providers and concerns about the relationship between providers and the regulator;
2. A cumbersome qualifications system that is slow to respond to changes in industry skill needs;
3. A complex and inconsistent funding system that is hard to understand and is not matched well to skill needs;
4. Lack of clear and useful career information for prospective new entrants;
5. Unclear secondary school pathways into the VET sector and a strong dominance of university pathways; and,
6. Access issues for Aboriginal and Torres Strait Islander people and second chance learners seeking skills to help them stay in work.

These are multifaceted and complex problems, where simple, clean and transparent solutions may be very difficult to achieve. This is largely due to the fallibility of labour market forecasting, the tripartite nature of the VET system and the inherent tensions of a federated system of governance.

To assist in framing our response to any reforms, the following table outlines four central design principles that we consider should underpin any reform to the VET sector.

## Design Principles

- **The system is as decentralised as possible, with prices determined at a local level through market mechanisms.**
- **Provide mechanisms that incentivise quality in addition to ensuring compliance with minimum standards.**
- **Shift away from nationally centralised planning and subsidy setting that is overly reliant on occupation lists that do not keep pace with changes in the economic circumstances at a State level.**
- **Ensure budgetary certainty for governments.**

## CCIWA Recommendations

### National Skills Commission

CCIWA recommends that the National Skills Commission (NSC) should have the following remit and the necessary resources and expertise to support these activities:

1. Lead the development of forward-looking workforce scenario planning and the development of a national skills strategy in conjunction with States;
2. Provide a leading role in enhancing the capacity of the sector by providing advice on best practice approaches to VET policy;
3. Be a leading advocate for good VET market design and play a pivotal role in assisting States in optimising their local VET markets, so they are fit for purpose, enable resources to be allocated to where demand is and effectively incentivise quality; and,
4. Provide oversight and governance of the national VET framework, including qualification development and the national regulator.

The NSC should not, however, seek to develop forecasting approaches that underpin policy decisions, nor should the NSC have a role in determining Commonwealth VET funding arrangements, especially through a centrally determined national pricing model.

### Skills Organisations

It is recommended that the Commonwealth does not continue the roll out of Skills Organisations (SO) beyond the current pilot phase and instead seeks to immediately focus on improving and streamlining the ongoing qualification development process within the existing framework. CCIWA considers that replacing current qualification development arrangements with SOs will result in a system that is not fit for purpose and increase politicisation and complexity of the system.

If the Commonwealth seeks to continue with the rollout of SOs beyond the pilot phase, it is recommended that their remit is limited to industry-driven qualification updates and development activities, including assessing whether the training packages structure and governance is appropriate for the industry or occupations the SOs are responsible for.

## National Skills Commission

### The NSC as proposed by Joyce Review

The Joyce Review proposes that a new VET funding structure will be underpinned by a National Skills Commission, which will administer all Commonwealth VET funding under the strategic direction of the Minister for Skills Employment, Skills, Small and Family Business. The Commission will also develop State and Territory level skill demand forecasts, which intend to inform nationally consistent qualification subsidy levels based on average actual costs of delivery of qualifications.

Under this model, the Commonwealth, States and Territories would negotiate a new national agreement where the Commonwealth co-funds courses in each State and Territory according to the National Skills Commission's funding model. Available qualifications delivered by public and private providers would be co-funded, based on an agreed standard percentage share between the Commonwealth and each State and Territory.

States and Territories could continue to provide additional support to their respective TAFE systems, over and above the tuition subsidies in their roles as TAFE owners.

Joyce's proposal to centrally administer Commonwealth subsidies that are based on skills demand forecasts and agreed average course delivery costs would undermine the ability for local VET markets to respond to local conditions effectively.

CCIWA supports Joyce's assessment that the national VET system is typified by a complex, inconsistent and opaque funding system. However, a degree of complexity will be inevitable in a system such as VET where funding and critical policy decisions are made at both State and Federal levels of government. This is amplified by the wide variation in cost structures and demand for types of training between States and regions within States. This variation in funding levels and arrangements is, in many cases, essential to ensure that VET resourcing meets the demand of local economies and their unique situations.

Joyce's approach assumes little variance in demand and cost structures across Australia, which does not reflect on the ground conditions. This model would potentially work for states where cost structures and labour market needs are relatively homogenous. However, this model would likely be highly detrimental to Western Australia as it would have less influence over national demand forecasts, given our relatively low population share, vastly different economic circumstances and cost structures compared to the other states.

## **Proposed NSC and CCIWA's Design Principles**

CCIWA supports the role of the NSC being the body responsible for providing national leadership to the VET sector. However, it is recognised that national leadership is an open-ended concept and is subject to a wide degree of interpretation. As such, the NSC's purpose and scope of activities must be precisely defined so as to ensure that it develops into an effective institution.

It is CCIWA's view that the NSC should have the following remit:

1. Lead the development of forward-looking workforce scenario planning and the development of a national skills strategy in conjunction with States;
2. Provide a leading role in enhancing the capacity of the sector by providing advice on best practice approaches to VET policy;
3. Be a leading advocate for good VET market design and playing a pivotal role in assisting States in optimising their local VET markets, so they are fit for purpose, enable resources to be allocated to where demand is and effectively incentivise quality; and,
4. Provide oversight and governance of the national VET framework, including qualification development and the national regulator.

In short, the NSC should provide insight into where we are heading, advice on how we could get there and manage the rules of the game.

## **NSC should lead the development of forward-looking workforce scenario planning and the development of a national skills strategy in conjunction with States**

Developing forward-looking scenarios from consolidated Commonwealth labour market data and a high-level strategic direction for the VET sector should be a key focus of the NSC. This scenario planning should be developed in conjunction with industry and State and Territory governments. This will help ensure State Governments are not caught off guard by unexpected Commonwealth policy decisions.

A high-level workforce strategy would also be a respected reference tool for policymakers, industry and educators. This tool would guide individuals on how workplaces are changing, which in turn will support better decision-making regarding capability development.

It is vital to note that the NSC should not seek to couple its labour market forecasting and scenario planning activities to VET policy or funding mechanisms. This is due to the limitations of the accuracy of labour market forecasting<sup>1</sup>, and the distortionary market effects it may lead to if relied on for highly specific policy decisions.

Additionally, the forecasting role as proposed in the NSC discussion paper suggests;

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<sup>1</sup> See Richardson S & Tan Y (2007) *Forecasting future demands: What we can and cannot know* NCVER, Adelaide.

*“This will provide more confidence to employers and students that they are investing in the right skills<sup>2</sup>.”*

This implies that if the NSC does not deliver a forecasting function, employers will struggle to know what skills they need now or into the future. This assumption is fundamentally flawed as it suggests a government agency will have a deeper understanding of the skill needs of an individual business than the business itself.

While students, career advisors and parents can benefit from having a high-level understanding of what sectors of the economy and broad job categories will be in demand, evidence suggests that employer-facing VET (apprenticeships and traineeships) training activity reflects the prevailing needs of the economy.<sup>3</sup>

This, however, should not be taken to imply that forecasting and scenario planning should not be undertaken. Instead, this type of analysis should be one input into the policy design and strategy development process rather than the primary factor underpinning a policy or regulatory mechanism.

### **NSC to provide a leading role in enhancing the capacity of the sector through providing advice on best practice approaches to VET policy**

The NSC should seek to position itself as the leading national authority on best practice approaches to VET right through the skills development pipeline. This includes showcasing training provider excellence, championing industry-driven collaboration and being the Commonwealth’s trusted advisor on VET policy.

For the NSC to succeed in this role, it should seek to build trust and legitimacy across the national VET system. Rather than generating research and collating data (this is a role for the National Centre for Vocational Education Research (NCVER)), the NSC should focus on translating key insights generated through third parties such as NCVER into on-the-ground practice.

In addition to this translation function, the NSC should actively seek out, critically assess and champion effective models of industry-led, collaborative workforce development approaches. This should be done with a view to not only understanding best practice approaches but also to identifying potential policy or regulatory constraints to achieving this.

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<sup>2</sup> Department of Employment, Skills, Small and Family Business, (2019) *Co-Designing the National Skills Commission Discussion Paper* pg. 9

<sup>3</sup> Chamber of Commerce and Industry of WA, (2019) *Outlook*, June Edition

## **NSC as the leading advocate for good VET market design and playing a pivotal role in assisting States in optimising their local VET markets**

A key recommendation of CCIWA's initial submission to the Joyce Review was to:

*"Develop a nationally consistent VET sector underpinned by good market design principles."*

This recommendation sought to strike the balance of national consistency while providing States the ability to design their VET markets in a way that meets each State's diverse needs. It is CCIWA's view that the NSC should, in addition to its role in the translation and adoption of best practice VET, have a specific focus on championing good VET market design.

This role is essential given that, throughout Australia, VET is delivered by States primarily through quasi-markets with both private and public entities supplying training services. As a result, the quality of market mechanisms has a significant impact on the effectiveness of training allocation, the quality of training that is delivered and the accessibility of training.

By having a central role in developing a set of good design principles for VET markets and advocating for States to optimise their VET markets based on these, the NSC will help to drive consistent approaches in national VET arrangements. At the same time, States will be empowered to optimise their VET system for local conditions and priorities. For the NSC to be effective in this role, the Commission will need to build trust and rapport with relevant jurisdictions as well as developing an expert understanding of market design approaches. More specifically, this includes providing advice and support to develop interventions that enhance market safety and ensure the effective allocation of training resources in thin and congested markets.<sup>4</sup>

The NSC should not play a coercive role by using mechanisms, such as specific purpose funding agreements, when seeking to enhance the adoption of market design approaches with each state VET market. Instead, through building trust and expertise, the NSC, over time, should strive to be viewed as an expert and trusted on these matters across jurisdictions.

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<sup>4</sup> For a more in-depth explanation of these terms see CCIWA's submission to the Expert Review into the Australian Vocational Education and Training Sector (Pg:9-11):  
[https://www.cciwa.com/CMSPages/GetAzureFile.aspx?path=-\cciwa\media\advocacy\20190201\\_-\\_cciwa\\_submission\\_-\\_expert\\_review\\_into\\_the\\_vocational\\_education\\_and\\_training\\_sector-1.pdf&hash=8abb788f0878dd41c965c84765d989403e77d76eec375c267a8974d4832b37d3](https://www.cciwa.com/CMSPages/GetAzureFile.aspx?path=-\cciwa\media\advocacy\20190201_-_cciwa_submission_-_expert_review_into_the_vocational_education_and_training_sector-1.pdf&hash=8abb788f0878dd41c965c84765d989403e77d76eec375c267a8974d4832b37d3)

## **NSC to provide oversight and governance framework for the national VET system**

The NSC should be the peak public entity responsible for the oversight and governance of the Commonwealth administered aspects of Australia's national skills system.

This includes ensuring the effective and efficient operation of the qualification development and update process and providing oversight of the national regulator.

To ensure that the NSC has long-lasting support, it should report to the COAG Skills Ministers Council rather than the responsible Commonwealth Minister alone.

To further assure stakeholder confidence in the entity, it should operate at arm's length from government, hence providing the organisation with the ability to provide independent expert advice on crucial VET system decisions.

These two governance arrangements will be essential to ensuring policy stability in the system. While it is necessary for the system to adapt to prevailing economic and social conditions, it is noted that the VET system has been subject to 465 separate reform actions in the past 21 years<sup>5</sup>, equating to a reform every two and a half weeks. This independence and the stability that it supports will be a core element for not only rebuilding trust in the system but ensuring that the system has enough time to mature.

## **Skills Organisations (SO)**

### **SOs are unlikely to 'shift the dial'**

While the structure and purpose of SOs will provide a mechanism to enhance industry involvement in the development of VET qualification, we consider that SOs are not likely to significantly improve the qualification development and modification process. It is CCIWA's view that replacing current qualification development arrangements with SOs will result in arrangements that are not fit for purpose as well as increase politicisation and complexity of the system.

Instead of extending the SO model beyond the scope of the current pilot, the Commonwealth's attention should be focused on continuing to optimise the current system. To effectively seize on this reform opportunity, this optimisation process should also seek to consider whether the current approach and structure of training packages are fit-for-purpose.

If the Commonwealth does choose to proceed with the SO model after the pilots, the scope of activities of the SOs should be limited to industry-driven training package development and update processes. A vital component of this training package

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<sup>5</sup> Bolton. R (2019) *A VET reform every two and a half weeks*, The Australian Financial Review, retrieved from <https://www.afr.com/policy/health-and-education/a-vet-reform-every-two-and-a-half-weeks-20190908-p52p42>



development process would be for SOs to review the appropriateness of the training package framework itself for the sector the SO represents.

CCIWA is not in a position to make any further comments concerning the design and scope of SOs until the results of the pilots are realised.

The following comments seek to expand on the above comments surrounding potential issues with the proposed model.

## **SOs as proposed by Joyce**

Joyce proposes a significant overhaul of the qualifications development system, with the introduction of a new set of entities called Skills Organisations (SO).

It is proposed that SOs will be industry-owned entities that hold a government registration. SOs will be responsible for qualification development within their relevant sectors and play a role in promoting qualifications and jobs in that sector. Joyce also proposes that the SOs take on the role of supporting and promoting apprenticeships and traineeships, a role that is currently undertaken by the Australian Apprenticeship Support Network Providers (ASSN).

## **SOs Not Fit for Purpose**

The adoption of SOs is an example of policy importation that fails to consider contextual differences and does not represent a clear solution to the slow qualification development process. It should also be noted that similar models have been trialled in the UK and New Zealand with limited success.

For example, a 2011 review into New Zealand's Industry Training Organisations (ITO), (which the SO model is based on) noted that ITOs were overly government-facing and only engaged with the dominant players in the industry sector of which they were affiliated with. Respondents to the Review also noted that there was enormous variability and duplication within the ITOs, with many organisations not adding value<sup>6</sup>.

These issues are very similar to the problems with Australia's qualification development system as identified by the Joyce Review, with the Review noting that; *"it is time for much more industry leadership in the vocational qualifications development system"*<sup>7</sup>.

While CCIWA does not disagree that there is a need for increased industry involvement and leadership in VET qualification modification and development, it is unwise to completely replace the system with an alternate model that has experienced the same issues as the current system. The slow progress in the execution of these pilots raises

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<sup>6</sup> Industry Training Review: Summary of Submissions Received on the Discussion Paper: *Key Roles in Industry Training System* (2011) Retrieved From: <https://www.education.govt.nz/assets/Documents/Ministry/consultations/Review-of-industry-training/SubmissionsSummary.pdf>

<sup>7</sup> Hon. Steven Joyce (2019), *Strengthening Skills: Expert Review of Australia's Vocational Education and Training System*. Pp:58

only further questions as to their capacity to fulfil their role as identified by the Joyce Review.

## **SOs increase bureaucracy and provide additional opportunities for politicisation**

The proposed SOs create an additional class of industry organisations that will add an extra layer of bureaucracy and politicisation into the system. While industry needs to be involved in the qualification development process, this does not need to be done with a new category of stand-alone entities.

Preferably, the current system can be streamlined and further refined to reduce the number of stages and authorisations required before amendments to training packages are made. Also, there should be a concerted effort to ensure that the people who hold positions on Industry Reference Committees<sup>8</sup> have a thorough understanding of current industry practices.

## **SOs should not take on the role of AASN providers**

The Joyce Review also proposed that SOs take on the role of the Australian Apprenticeship Support Network (AASN) providers for their relevant industry. On this issue, it is important that CCIWA declare that it plays a significant role as an AASN provider in Western Australia and has done for more than two decades. On the one hand, this role indicates CCIWA has a conflict of interest when considering this recommendation. On the other hand, it means our organisation can provide deep insights on the value and effectiveness of AASN providers.

A 2018 independent evaluation of the AASN found that in terms of policy intent, broad construct and key components, the model is comprehensive and widely supported by stakeholders<sup>9</sup>.

It would be wasteful of the Federal Government to disregard the significant investment and expertise developed through the AASN model over the previous 20 years, particularly given the quality outcomes that have been achieved.

If SOs were to take on the role of the AASN, it would be likely that SOs could only deliver AASN services within their area of training package expertise. This would result in many employers needing to deal with different SOs for the same service as they sign up apprentices in a range of training packages resulting in additional complexity and confusion and potential overlap for businesses to manage.

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<sup>8</sup> Industry Reference Committees are national bodies that are charged with developing and reviewing relevant training packages (groups of qualifications and units of competency in a certain area) to, ensure that they reflect current industry needs.

<sup>9</sup> Ithaca Consulting. Evaluation of the Australian Apprenticeship Support Network. March 2018. Retrieved from: [https://www.australianapprenticeships.gov.au/sites/ausapps/files/publication-documents/aasn\\_model\\_evaluation\\_-\\_final\\_report\\_-\\_february\\_2018\\_.pdf](https://www.australianapprenticeships.gov.au/sites/ausapps/files/publication-documents/aasn_model_evaluation_-_final_report_-_february_2018_.pdf)

Moreover, rural and regional communities would likely receive reduced services as each of the 30 proposed SOs would be required to service these communities, thereby reducing the quality and consistency of service.

Significant economies of scale have already been delivered by engaging 11 AASN providers nationally. These efficiencies and cost-saving measures would be lost if 30 SOs were required to provide AASN services nationwide. For example, monitoring and compliance costs would increase significantly.

The current AASN model encourages competition between providers and in turn, promotes innovation and efficiency gains for the government. If only one SO were responsible for delivering AASN services in their training packages, these benefits would not be realised.