

Master Builders Australia

SUBMISSION TO Department of Employment, Skills,
Small and Family Business

***National Skills Commission and
Skills Organisations***

22 November 2019



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Acronyms and abbreviations

| | |
|--------------|--|
| AASN | Australian Apprenticeship Support Network |
| ABS | Australian Bureau of Statistics |
| AISC | Australian Industry Skills Council |
| ASQA | Australia Skills Quality Authority |
| Commission | National Skills Commission |
| IRC | Industry Reference Committees |
| Joyce Review | Strengthening Skills Expert Review |
| NASWD | National Agreement on Skills and Workforce Development |
| NCVER | National Centre for Vocational Education and Research |
| PC | Productivity Commission |
| RTO | Registered Training Organisation |
| SSO | Skills Services Organisation |
| VET | Vocational education and training |

1. Introduction

This submission to the National Skills Commission (the Commission) and Skills Organisations co-design discussion papers represents the views of Master Builders Australia. It is informed by our experience and the experience of our member associations and the building and construction businesses we collectively represent.

Master Builders Australia is the nation's peak building and construction industry association. Federated on a national basis in 1890, Master Builders Australia's members are the Master Builder state and territory associations. Over 129 years the movement has grown to over 33,000 businesses nationwide, including the top 100 construction companies. Master Builders Australia is the only industry association representing all three sectors—residential, commercial and engineering—of the construction industry.

Master Builders Australia welcomes the opportunity to input to the design of the Commission's role and functions and the establishment of Skills Organisations. As a peak body and through our membership in other industry organisations, we are actively representing the building and construction industry's views on the vocational education and training (VET) sector and the reforms required to improve the system.

We commend the Government for its recent commitments to VET, including:

- the Strengthening Skills Expert Review (the Joyce Review);
- the Council of Australian Government's (COAG) shared vision for VET and articulation that VET and higher education are equal and integral parts of Australia's post-secondary education system;
- the COAG Skills Council's agreement to the priorities of relevance, quality and accessibility for VET system reform, based on the COAG shared vision;
- preliminary work to establish the National Skills Commission, Skills Organisations and the National Careers Institute, including discussion papers, consultations and the announcements of the first Careers Ambassador, interim Skills Commissioner, and Skills Organisation pilots; and
- the commencement of the Productivity Commission's (PC) review of the National Agreement on Skills and Workforce Development (NASWD, due for completion November 2020).

Whilst a positive step that COAG has agreed a shared vision for VET, this commitment is notably silent on funding and governance. Master Builders Australia explores this further in Chapter 3.

Master Builders Australia sees potential for the Commission to take a leadership role in the skills space and to improve national coordination and collaboration. In determining the role, functions and governance of the Commission it is essential that the government look to simplify and consolidate existing work and bodies, not duplicate functions already done or add another layer of bureaucracy.

In regard to Skills Organisations, Master Builders Australia notes that the remit proposed in the Joyce Review is broad and that there are concurrent processes underway to explore and test these options, including submissions to the discussion paper, co-design workshops and industry pilots.

2. Consultation

Master Builders Australia has actively participated in a number of the consultation forums on the establishment of the Commission, Skills Organisations and National Careers Institute. We welcomed the opportunity to participate, but note capacity was well below demand for places and venues quickly sold out. As a consequence we are aware of industry and employer representatives that were unable to participate and therefore to have their views heard. At a number of forums participation was skewed toward training and employment service providers and the public sector.

The consultations provided an opportunity to input high level preliminary views on the Commission and Skills Organisations. However, given the early stage in the establishment of these bodies there is, understandably, a high degree of uncertainty which made it difficult to respond to the more nuanced questions that were asked. We recommend the Government develop options for the Commission and Skills Organisations and test these through further consultation with VET stakeholders.

An additional consultation process will benefit the Government and VET stakeholders by facilitating a more collaborative co-design process. It will provide the Government a greater depth of understanding of the views of VET stakeholders; enable the identification of strengths, weaknesses, opportunities and risks with the proposed options; and give VET stakeholders the opportunity to provide more nuanced input.

Recommendation 1:

The Government develop options for the role, functions and governance of the Commission and Skills Organisations based on the findings of the initial consultation forums and written submissions, and explore these options through consultation with VET stakeholders.

3. A shared vision for VET

On 9 September 2019, COAG agreed to a shared vision for VET:

“The vocational education and training system is a responsive, dynamic and trusted sector that delivers an excellent standard of education and training. It provides strong economic and social outcomes, and supports millions of Australians to obtain the skills they need to participate and prosper in the modern economy.”

This vision specifies aims for a VET system that include providing workforce skills and relevant up-to-date qualifications that are well-matched to evolving opportunities and responsive to industry needs with flexibility to provide skills to all career stages; providing useful and accessible career information to make informed decisions; placing equal value on VET and university education; and providing VET in school qualifications that are valued by employers.

There are a number of worthy aspirations that if achieved have the potential to significantly improve the VET sector and its training outcomes. However, this will be dependent on governments committing adequate funding, putting in place strong governance arrangements and being genuinely accountable for delivery – there is no mention of funding, governance or accountability in the COAG agreed vision.

Master Builders Australia is particularly concerned that without a public commitment to improving funding, governance and accountability the vision and reform aims will linger as idealised rhetoric. In this regard we note the similarities between the 2019 vision and the 2008 NASWD. Performance monitoring by the PC shows the NASWD is not on track to be achieved by the 2020 target.

Recommendation 2:

At its next meeting, COAG strengthen its commitment to the VET sector by agreeing to adequately fund VET reforms and put in place strong governance arrangements that will ensure accountability for action and delivery.

4. National Skills Commission

Master Builders Australia is broadly supportive of the establishment of the Commission. Our views on the questions asked in the discussion paper are below. In general questions are answered sequentially, where this is not the case we have highlighted the question number that the response is relevant to.

4.1. Objectives

In a number of the consultation forums participants saw a broader and more strategic leadership role for the Commission than was recommended by the Joyce Review and the discussion paper. In particular, a role which brings together the different bodies, works across the Australian Government, and cooperatively and collaboratively with the states, territories and VET stakeholders.

Question 1: *Are the following objectives for the National Skills Commission right?*

| Objective | MBA comments and recommendations |
|--|--|
| <p>a) <i>That the Commission provides a robust, evidence-based and independent picture of the current and future skill needs for Australia, at a local, regional and national level.</i></p> | <p>Support in-principle a role for the Commission in work to identify current and future skills needs. However, note that the Commission must not duplicate existing Commonwealth and state activities.</p> <p>In this regard, we highlight:</p> <ul style="list-style-type: none"> the work of the National Centre for Vocational Education and Research (NCVER), the Australian Bureau of Statistics (ABS), state skills commissioners and Jobs Queensland, and |

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| | <ul style="list-style-type: none"> the Commonwealth’s newly established Centre for Population which will have an immediate term focus on data and forecasting, including skilled migration. <p>The discussion paper (Question 3) seeks views on a broader role in relation to skills priorities, for example other pathways such as skilled migration. Master Builders Australia supports a broader role where there is an identified gap and the Commission would be best placed to undertake this work. This is not the case for skilled migration which as noted above will fall within the remit of the Centre for Population.</p> |
| <p>b) <i>That the Commission provides a robust, evidence-based and independent picture of investment in the VET funding system.</i></p> | <p>In the short term the Commission should not have a role in funding and investment. VET funding is being considered by the PC as part of the recently announced NASWD review, due for completion in November 2020. Pending the findings from the PC, there may be a funding related role for the Commission in the longer term.</p> <p>Should this objective materialise into a future role for the Commission, it should be expanded to include university funding, particularly sub-bachelor studies. The funding systems need to be fair and evidence-based.</p> |
| <p>c) <i>The Commission provides advice to the Australian Government on options to strengthen the VET funding system to make it easier for students, training providers and employers to understand and access VET.</i></p> | <p>As noted in 1(b) any role for the Commission in the relation to funding should be pending the findings of the PC’s NASWD review.</p> <p>Should the PC Review see a role going forward for the Commission in relation to funding this objective should be changed to simplify, rather than strengthen, the VET funding system as the aim of the objective is to improve understanding.</p> <p>We note there is also strong merit in an objective to strengthen the VET funding system through improved governance and accountability. We see a two-fold approach being required:</p> <ul style="list-style-type: none"> Firstly governance and accountability of governments. The NASWD, agreed in 2008, is not on track to meet its objectives by the target of 2020. Given that the 2019 COAG vision is eerily similar to the NASWD objectives, we implore governments to ensure that future funding agreements for VET contain stronger governance and genuine accountability. Secondly, improving accountability and governance of training providers. History has shown that weak governance will, unfortunately, be exploited by rogue providers to the detriment of the whole sector. Regulators should take a risk based approach to audit. In this regard, we recommend the government consider splitting the categories for training providers from two (public and private) to three — public, not-for-profit, and for profit — noting that not-for-profit providers have to operate in a more regulated environment than for profit providers and are therefore lower risk. |

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| <p>d) <i>That the National Skills Commission increases transparency around the VET system.</i></p> | <p>Support. This should include a mandate that the Commission’s work (data, analysis and reports) be made publicly available as the default (Question 18). It should be by exception only that information and data not be made public, for example commercial or cabinet in confidence.</p> <p>We note, if this includes findings or analysis relating to regulatory compliance that the objective should be to promote best practice rather than to ‘name and shame’.</p> |
| <p>e) <i>Suggested objective</i></p> | <p>Master Builders Australia recommends an objective for the Commission relating to its leadership role, for example:</p> <p style="text-align: center;"><i>The Commission provides leadership to governments and industry by bringing together resources of relevance to produce and publicly release an annual State of the VET Sector report.</i></p> |

4.2. Functions

The Joyce Review identified two key areas of work for the Commission:

- Funding (recommendations 3.10, 5.2, 5.5, 5.7 and 7.6), with a particulate focus on the funding model between the Commonwealth and the state and territory governments, as well as course subsidies and funding for VET in schools.
- Skills forecasting (recommendations 5.4, 5.10 and 6.3) including at the national, state and regional levels; bringing together resources currently split across departments; and developing a new National Skills Priority List of Apprentices.

The Joyce Review also identified responsibilities for the Commission relating to developing and monitoring performance indicators.

Question 2: *Are the right functions for the Commission identified? Are there any other functions?*

| Function | MBA comments and recommendations |
|---|---|
| <p>a) <i>Working with states and territories on VET funding and administering all Commonwealth funding to the sector under policy direction of the Minister</i></p> | <p>As noted in 1(b) any role for the Commission in the relation to funding should be pending the findings of the PC’s NASWD review. Work prior to this would be pre-emptive.</p> <p>The next funding agreement must align with industry needs, increase overall funding to VET, enhance governance and accountability, and be developed collaboratively with the states and territories.</p> |
| <p>b) <i>Developing and updating national, state and territory level and regional skills demand forecasts</i></p> | <p>Supported, noting the need to complement not duplicate existing functions, and to consult and collaborate with the Centre for Population, ABS, NCVET, states, industry and others as relevant.</p> <p>Skills assessments should be validated by state and territory governments, key regional bodies and industry to ensure that they will meet national, state, regional and local needs (Question 12). This will require the Commission to draw on expertise in these organisations, something Skills Australia did well (Question11).</p> |

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| <p>c) <i>Determining nationally consistent qualification subsidy levels, in partnership with the states and territories, based on averaged actual costs of delivery for providers nationwide</i></p> | <p>As noted in 1(b) any role for the Commission in the relation to funding should be pending the findings of the PC’s NASWD review. Work prior to this would be pre-emptive.</p> <p>The discussion paper (Question 6) is related to this function and asks if the Commission should set subsidy and student contribution levels. Again, this should be put on hold until the NASWD review is finalised.</p> <p>Changes to funding arrangements will need a carefully considered transition plan that has been publicly tested with stakeholders.</p> |
| <p>d) <i>Determining an approach to subsidies similar to the Commonwealth Grant Scheme and Student Contributions table used in the university sector</i></p> | <p>As noted in 1(b) any role for the Commission in the relation to funding should be pending the findings of the PC’s NASWD review. Work prior to this would be pre-emptive.</p> <p>Changes to funding arrangements will need a carefully considered transition plan that has been publicly tested with stakeholders.</p> |
| <p>e) <i>Developing a list of nationally consistent percentage loadings to reflect differential costs for rural and remote areas and disadvantaged groups</i></p> | <p>As noted in 1(b) any role for the Commission in the relation to funding should be pending the findings of the PC’s NASWD review. Work prior to this would be pre-emptive.</p> <p>Changes to funding arrangements will need a carefully considered transition plan that has been publicly tested with stakeholders.</p> |
| <p>f) <i>Developing performance indicators to measure the outcomes & effectiveness of government investment in the VET sector, and to report that information to the Australian, state and territory governments</i></p> | <p>Supported, noting that performance indicators should be written into the new funding agreement with the states and territories. Progress against these performance indicators should be assessed by the PC and reported on the Performance Reporting Dashboard. This approach aligns with other funding agreements under the Intergovernmental Agreement on Federal Financial Relations.</p> <p>We note that the three performance indicators for the NASWD are not on track.</p> |
| <p>g) <i>Developing a new National Skills Priority List for Apprentices that captures occupations, including those in new and emerging industries and occupations supporting Government priorities.</i></p> | <p>Master Builders Australia’s views on this were expressed in our submission to the National Skills Needs List.</p> <p>Additionally, we note that the Commonwealth’s newly established Centre for Population will have an immediate term focus on data and forecasting, including skilled migration. The Commission will need to work collaboratively with the Centre for Population on skills forecasting.</p> |
| <p>h) <i>Skills demand resources in the Department of Education & Department of Employment be moved to the Commission</i></p> | <p>Support, noting this transfer should be agnostic of the educational institute. I.e. giving the Commission the resources that currently identify skills demands that can be addressed through school, VET and/or university education.</p> |

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| <p>i) <i>Commonwealth, states and territories negotiate a new national agreement where the Australian Government co-funds courses according to the National Skills Commission’s funding model.</i></p> | <p>As noted in 1(b) funding work prior to the PC’s final report for the NASWD review would be pre-emptive. Any changes to funding arrangements will need a carefully considered transition plan that has been publicly tested with stakeholders.</p> <p>It is also unclear if a co-funding model would achieve optimal results or be supported by the states and territories.</p> <p>The next funding agreement must align with industry needs, increase overall funding to VET, enhance governance and accountability, and be developed collaboratively with the states and territories.</p> |
| <p>Other functions for consideration:</p> | |
| <p>j) <i>Developing an annual State of the VET Sector report, drawing on resources from across the Australia, state and territory governments, as well as industry, training providers, employers and students.</i></p> | <p>In line with our proposed objective on leadership, Master Builders Australia recommends the functions include the preparation of an annual publicly released State of the VET Sector report.</p> <p>The report would draw on resources from the Australian, state and territory governments, as well as industry, employers, students and training providers. This could also include improving data consistency over time to ensure data can be aggregated and compared.</p> <p>The report would be a valuable resource, a key mechanism for the Commission to support VET stakeholders and inform a national picture (Question 7) and would help to increase public accountability for VET reforms.</p> |
| <p>k) <i>Work with and support industry. Question 4 seeks views on the Commission supporting industry to conduct workforce planning and Question 8 asks how the Commission can work effectively with industry.</i></p> | <p>An immediate term priority, and in our view one of the biggest challenges facing the Commission (Question 12), will be to build the trust and respect of industry. Given the pipeline of VET reform over the last decade and the lack of funding and policy consistency, industry is sceptical and it will take time to rebuild trust.</p> <p>To effectively work with and support industry it will be important that the Commission has industry buy-in and is industry led. A small board of respected industry leaders would assist to achieve this, as was the model under the former Australian National Training Authority (Question 11).</p> <p>Keeping pace with regulatory change is a challenge for industry, both in terms of ensuring training packages are up to date and businesses know what they need to do. To support industry, the Commission should be mandated to advise on regulatory changes relevant to each Skills Organisations and the accredited training packages they oversee. Reporting should, at minimum, be annually.</p> <p>In addition, the Commission should publicly release its reports and data sets to help industry to make informed decisions (Question 18). Such information can assist industry and businesses to upskill for future workforce demands and industry pivots.</p> |

Question 5: What will be the best way to achieve the Commission's functions?

| Functions | MBA comments and recommendations |
|--|--|
| 1. <i>Conducting skills demand assessments?</i> | <p>Master Builders Australia addressed this in our submission to the National Skills Needs List.</p> <p>The Commission should leverage what works well domestically and internationally. For example, at the state level the Victorian Skills Commissioner annually updates skills forecasting to inform funding and delivery models; and internationally the United States, Canada and New Zealand conduct skills forecasting every 2-3 years.</p> |
| 2. <i>Developing options to establish a national approach that simplifies VET funding while allowing for state, regional and local variations based on skills needs?</i> | <p>Master Builders Australia notes that if the government genuinely wants a national approach then VET should be nationalised, as higher education was. If this is not an option then it will be key for skills needs assessment to be validated by region and industry, and the basis for differential funding made publicly available.</p> <p>As noted in 1(b) funding work prior to the PC's final report for the NASWD review would be pre-emptive. Changes to funding arrangements will need a carefully considered transition plan that has been publicly tested with stakeholders.</p> |
| 3. <i>Monitoring the performance of the VET system nationally? How should the performance of the VET system be reported?</i> | <p>It is likely performance indicators and reporting requirements will be written into the new funding agreement with the states and territories. We note that reporting for this may be a role for the PC in line with monitoring for other funding agreements.</p> <p>The Master Builders Australia proposal for the Commission to prepare an annual State of the VET Sector report would require performance monitoring broader than what would likely be captured under the funding agreement. It could, for example, incorporate the skills needs analysis and changes over time, regulatory changes that impact on training packages, the proportion of training packages updated, student outcomes and perceptions, employer views, etc.</p> <p>Options for reporting could include:</p> <ul style="list-style-type: none"> • the annual State of the VET Sector report (preferably in an interactive online format); and • the COAG Performance Reporting Dashboard. <p>In addition the raw data underpinning reports should be made publicly available.</p> |

4.2 Organisational capabilities

The organisational capabilities required by the Commission will be dependent on its scope and functions. Given the establishment of the Commission is in its early stages and the final scope and functions are still under consideration the exact capabilities it will require are not yet known.

As recommended in *Section 2: Consultation*, the Government should develop options for the Commission and test these with industry through further consultation.

The Commission will require certain capabilities regardless of its exact responsibilities. These include:

- A board or advisory panel comprised of three to five respected industry leaders with knowledge of the VET sector, the capability to represent industry and the scope to direct the Commission.
- Strong leadership that is well-respected and experienced in negotiation and change management.
- Staff with a deep understanding of the realities of business, industry and training for industry.
- Analytical capabilities and preferably an understanding of VET, subsidies and pricing models.
- The ability to throw away preconceptions on how things should run and be open to new ways of working and thinking based on the evidence at hand.

4.3. Governance

The discussion paper proposed two models that the Commission could adopt:

1. A Commonwealth body tasked by and reporting to the responsible Commonwealth Minister. The primary focus would be monitoring skills needs and allocating Commonwealth investment in VET.
2. A national body jointly resourced and governed by the Australian, state and territory governments. It would report to the COAG Skills Council and oversee all VET investment across Australia according to a jointly agreed policy directive.

There are strengths and weaknesses to each proposal, a few of which we have outlined below.

| | Strengths | Weaknesses |
|---|--|---|
| Proposal 1: Commonwealth entity | <ul style="list-style-type: none"> • Likely to put a greater emphasis on skills needs that will boost productivity and economic outcomes. • Likely to have a more defined remit. | <ul style="list-style-type: none"> • May not get sufficient buy-in from the state and territory governments. This could compromise outcomes, result in duplication and create inefficiencies in the system. • May become politicised to drive the agenda of the Commonwealth government of the day. |
| Proposal 2: Commonwealth, state and territory entity | <ul style="list-style-type: none"> • Likely the state and territory governments will have a greater sense of ownership and be more accountable. • Likely to work more effectively across all governments. • Same model as the Australian National Training Authority, which was widely respected. | <ul style="list-style-type: none"> • May be challenging to get all state and territory governments to sign up to and fund this proposal. • The idea that this body would oversee all government investment in VET may not be achievable, especially in the short term. |

The discussion paper (**Question 13**) asks who the Commission should be responsible to and report to and **Question 15** asks about the role of the state and territory governments. Based on the proposed objectives, the COAG shared vision for VET and the fact that VET is a responsibility shared by the Australian, state and territory governments, Master Builders Australia is of the view that the Commission will be more likely to meaningfully add value and contribute to VET reform if it is responsible to and reports to the COAG Skills Council. This includes the Commission being jointly funded by the Australian, state and territory governments.

In relation to funding the Commission, it would seem logical to split financial contributions in the same manner as other COAG activities, such as the COAG Education Council. That is, the Commonwealth contributes 50 per cent and the remaining 50 per cent is split between the states on population share.

In relation to the type of organisation the Commission should be (**Question 14**), Master Builders Australia does not have a strong preference to one type of legal entity or another. We are of the view that the objectives, functions and governance should be bedded down first and then the most appropriate entity to facilitate this be selected.

Question 14 also asks whether or not the Commission should have a board. Master Builders Australia recommends the Commission be overseen by a Board of three respected industry leaders nominated by industry and appointed by the COAG Skills Council. This recommendation is underpinned by the assumptions that:

- The Board members will comprise well-respected and well-connected industry leaders from a cross-section of sectors reliant on VET training, have a diversity of experience and skills to contribute, and ideally be familiar with the VET sector and systems.
- The Board will consult with and represent the views of industry.
- The Board and the COAG Skills Council will jointly oversee the Commission and both be able to task the Commission with work.
- In regard to governance, the Board will follow a Charter (Agreed Operating Guidelines or Terms of Reference) and the Commission will provide administrative support.

Recommendation 4:

Master Builders Australia recommends the Commission be overseen by a Board of three well-respected industry leaders nominated by industry and appointed by the COAG Skills Council.

In addition to the Commission Board being comprised of industry representatives, industry should also have a role in contributing to and validating the research and findings of the Commission (**Question 16**). Industry should also be involved if the Commission's role is expanded to include work relating to training packages, including industry and employer representation when developing and updating training packages.

Question 17 asks how the Commission should relate to other national and state and territory bodies. In establishing the Commission governments should look to simplify and consolidate the VET

governance environment. Work should not be duplicated and the Commission should not add another layer to the bureaucracy.

In terms of how the Commission should relate to key national, state and territory bodies, Master Builders Australia proposes:

- The Commission:
 - be responsible to its Industry Board and the COAG Skills Council;
 - be funded by the Commonwealth, state and territory governments; and
 - work collaboratively and openly with other government departments and agencies at the national, state and territory levels.
- Australia Skills Quality Authority (ASQA, and the Victorian and Western Australian regulators) and the VET Ombudsman maintain independence from the Commission.
- The NCVER become an office within the Commission.
- Pending the role and governance of the National Careers Institute being determined it may form part of the Commission or be a Commonwealth entity that works side-by-side with the Commission.
- The relationship with Skills Organisations is unknown at this time and will be dependent on the role and functions of the Commission and the Skills Organisations.

Outside of the bodies mentioned above there are a plethora of other entities at the national, state and territory level. To improve transparency and public understanding of the VET sector there needs to be clear and public differentiation of the roles and responsibilities of the bodies in the VET sector. In the first instance this should occur at the national level. This should, for example, include:

- Ministers: the Prime Minister; the Minister for Employment, Skills, Small and Family Business; the Assistant Minister for Vocational Education, Training and Apprenticeships.
- COAG and the COAG Skills Council
- The Department of Employment, Skills, Small and Family Business
- Relevant employment portfolio bodies: ASQA; NCVER; Student Identifiers Registrar
- Other relevant Commonwealth bodies: the Department of Education; ABS; Commonwealth [VET] Ombudsman; Centre for Population; PC.

5. Skills Organisations

Master Builders Australia notes that the Joyce Review proposes a broad remit for Skills Organisations, co-design processes are currently underway and industry pilots will commence shortly to test different options. Given the level of uncertainty, it is not clear where Skills Organisations will land. The feedback provided in this submission is based on the currently proposed roles, functions and governance for Skills Organisations and our position may change as more information and evidence comes to hand.

Master Builders Australia strongly recommends ongoing industry consultation during the development and testing of options for Skills Organisations.

5.1. Existing arrangements

The discussion paper seeks views on the challenges with existing arrangements. In particular, challenges with responsiveness, relevance and promoting quality in relation to industry leadership, training package development, implementation by Registered Training Organisations (RTOs), quality delivery and outcomes for learners.

| Challenge | Comments |
|---|---|
| a) <i>Getting the right people at the table</i> | <p>Identifying and getting the right industry stakeholders at the table is a challenge. Failure to do this can negatively impact responsiveness to updating training packages, the relevance of the training package design and its overall quality.</p> <p>It is vital that industry employers and practitioners are at the centre of training package development, and that representation includes large and small; regional and urban; residential and commercial businesses.</p> |
| b) <i>The pace of change is slow</i> | <p>The pace of current processes creates challenges by reducing the ability of the VET sector (government decision makers, training package development and training providers) to be responsive to the workforce development needs of employers and employees.</p> <p>Work commissioned by AISC to map the development process for training packages indicates a timeframe of 2-6 years. One consequence of this is a proliferation of non-accredited training being developed. Over time this may compromise national consistency and standards.</p> <p>There needs to be a better balance between efficiency and due diligence. We note this will require a lot of thought and work to get this right.</p> |
| c) <i>Learners and their advisers struggle to make informed decisions about RTOs due to a lack of independent information</i> | <p>There is a lack of independent information available to assist learners and their advisers to assess the quality of RTOs. Whilst the Joyce Review called for the regulator's role to be expanded to rank the quality of training providers, we see this as a role for industry (or Skills Organisations).</p> <p>Master Builders Australia has undertaken preliminary work toward a RTO quality rating system for the building and construction industry. This work was underpinned by research, supported by TAFE Directors Australia and</p> |

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| | <p>the Australian Council for Private Education and Training, and included extensive consultation with training providers.</p> <p>The next step is to test this work through a pilot. Given the work already undertaken and the link to the Joyce Review recommendation 3.5, Master Builders Australia believes the building and construction industry is well positioned to lead on the development of a quality rating system for training providers which could then be extrapolated to other industry sectors. We would welcome the opportunity to discuss this further with government.</p> |
| d) <i>Inconsistent quality of VET in schools</i> | <p>The quality of VET in secondary schools is varied. A key issue brought to our attention is students not having appropriate access to real work situations. This is compounded by some schools providing in-house trainers that lack industry expertise, regulatory impediments that prevent industry trainers and tradies from teaching VET in schools, and schools that engage RTOs who train to the minimum benchmarks rather than ensuring students are workforce ready on completion. These issues undermine the value of qualifications attained through VET in schools and can negatively impact a learner’s employment prospects.</p> |
| e) <i>Apprentices dropping out because they aren’t work ready</i> | <p>Employers have identified that a key challenge to delivering quality outcomes to apprentices is their level of work readiness. Learners that commence an apprenticeship without being work ready are less likely to complete their apprenticeship. This costs employers, trainers and government time and money, and can create issues for the apprentice’s future work prospects. Our view is that learners sit on a continuum of work readiness.</p> <p>Master Builders Australia has undertaken preliminary work to develop a work-readiness assessment tool. This tool will enable training providers and employers to understand and assess if a learner is work-ready or requires additional training, such as a pre-apprenticeship.</p> |
| f) <i>Variation in assessment standards</i> | <p>A key challenge in the trainer-assessor model for qualifications is ensuring consistent assessment of competency across the board. Whilst this could be something addressed through an industry-based quality rating system, in the meantime, we note that Victoria is trialling independent assessment for the carpentry qualification.</p> |
| g) <i>Audit processes can be exploited due to a lack of industry expertise</i> | <p>Quality auditing requires industry as well as audit expertise. Under previous state-based regimes RTO auditors in some jurisdictions were accompanied by industry experts. This added rigour and transparency to the process.</p> <p>We have been advised that current audit practices do not harness the expertise of industry experts, and that without this training providers are able to side step issues which would otherwise be identified. Master Builders Australia has raised this issue with the Commonwealth Ministers and note their commitment to look into this issue.</p> |

5.2. Designing Skills Organisations

The Joyce Review proposes Skills Organisations are industry bodies registered with government that have a broad remit and will replace the Australian Industry Skills Council (AISC), Industry Reference Committees (IRC), Skills Services Organisations (SSO) and Australian Apprenticeship Network (AASN).

Master Builders Australia notes it is implausible that a one size fits all model for Skills Organisations will achieve the best outcomes across the board. In setting up Skills Organisations it will be essential that the requirements for governance, scope and responsibilities are sufficiently flexible to enable industry to shape their Skills Organisation to meet the needs and nuances of their circumstances.

The success of Skills Organisations will be dependent on the support and buy-in of leaders from within the industry sector it covers. How this is achieved will vary depending on the needs of sector. One option could be the formation of a governance board comprised of key industry leaders to oversee the Skills Organisation. This would present the added opportunity for Skills Organisations to be more strategic by leveraging the deep knowledge and understanding of industry leaders.

The discussion paper seeks views on what Skills Organisations could potentially do to improve responsiveness, relevance and quality in the VET sector. Master Builders Australia's response to the proposed areas are in the table below.

| Specified opportunities | Comments |
|--|--|
| a. <i>Industry leadership, responsibility and accountability for system outcomes</i> | <ul style="list-style-type: none"> As mentioned above Skills Organisations could be headed by a Board of industry leaders, which would be valuable in providing strategic oversight and direction. Skills Organisations could be responsible for endorsing training package development and updates in their industry sector (currently AISC), with the additional change that minor updates would not require a case for change process. The key way to make Skills Organisations accountable will be to have the engagement and buy-in of senior industry leaders and organisations; and for small, medium and large industry organisations to see early results. |
| b. <i>Skills gap (need) identification and analysis</i> | Skills gap identification and analysis is proposed as a responsibility of the Commission. Skills Organisations could have a role in coordinating industry data and anecdotes, as well as validating the Commission's findings. |
| c. <i>Qualification development</i> | <p>The Joyce Review proposed Skills Organisations take over the role of SSOs, IRCs and the AISC. Government will need to appropriately resource Skills Organisations to undertake these functions if they are to be effective in improving the responsiveness, relevance and quality of training package development and updates.</p> <p>Other considerations for this function include:</p> |

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| | <ul style="list-style-type: none"> • The need for greater input from wide cross-section of employers and practitioners in the development and update of training packages, including participants representing the residential and commercial markets; large and small businesses; and urban and regional environments. • A mechanism to ensure that Skills Organisations are aware of the reform pipeline and regulatory changes to ensure these can be translated into the training package curriculum. This could be a function for the Commission. • Skills Organisations reviewing non-accredited training to identify courses suitable to be accredited under the Australian Quality Framework. • The potential that drafting expertise for training packages be centrally located in the Commission, as opposed to each Skills Organisation, to improve efficiencies and reduce costs. |
| <p><i>d. Work-based training placements</i></p> | <p>The Commission could lead on a coordinated approach to identify and addresses barriers to increased work-based training placements, with Skills Organisations contributing industry specific information and assisting with consultation processes.</p> <p>Skills Organisations could assist employers, learners and training providers by developing industry specific work-readiness assessment tools, which would:</p> <ul style="list-style-type: none"> • Identify if learners are work ready or need additional training such as a pre-apprenticeship; and • Assist to place learners with employers by highlighting their interests, skills and aptitudes. |
| <p><i>e. Industry-RTO collaboration</i></p> | <p>It will be important for Skills Organisations to develop relationships and work collaboratively with RTOs that deliver their training packages to ensure high quality outcomes.</p> |
| <p><i>f. Identifying high performing RTOs</i></p> | <p>As mentioned in 5.1c Master Builders Australia has commended work to develop a quality rating system for RTOs in the construction sector and would welcome the opportunity to discuss taking this work to the pilot stage.</p> |
| <p><i>g. Quality assessment of learner outcomes</i></p> | <p>If appropriately resourced Skills Organisations could deliver independent assessment of competencies. This service could close the learning loop providing greater assurance that learners are genuinely able to meet industry capability and workplace expectations.</p> <p>We note capstone testing exists for electricians and that Victoria is trialling independent assessment for carpentry qualifications.</p> |

6. Recommendations

Master Builders Australia recommends:

- 1 The Government develop options for the role, functions and governance of the Commission and Skills Organisations based on the findings of the initial consultation forums and written submissions, and explore these options through consultation with VET stakeholders.

- 2 COAG, at its next meeting, strengthen its commitment to the VET sector by agreeing to adequately fund VET reforms and put in place strong governance arrangements that will ensure accountability for action and delivery.

- 3 The National Skills Commission's role and objectives include:
 - a) leadership – breaking down silos, promoting collaboration and leveraging (not duplicating) the work of Australian, state and territory government agencies.
 - b) skills needs forecasting – bringing together the work done across government agencies such as the ABS, NCVET, Centre for Population, Victorian Skills Commission, Jobs Queensland and others, to ensure that forecasting is comprehensive and draws on the best available information and data from across the country;
 - c) industry support – for example the production and publication of an annual State of the VET Sector report and providing Skills Organisations with information on regulatory changes impacting industry sectors and training packages; and
 - d) an immediate term priority to build the trust and respect of industry.

The Commission's role and objectives not include funding, pricing or investment work until the PC has completed the review of the NASWD, scheduled for November 2020.

- 4 The National Skills Commission be an independent body funded by the COAG Skills Council, overseen by a small Board of well-respected industry leaders, and reporting to the Skills Council and Board.

 - 5 The Government, in setting up Skills Organisations, should acknowledge the diversity of industries and needs within the VET sector and ensure that the requirements for governance, scope and responsibilities are sufficiently flexible to enable industries to shape their Skills Organisation to meet the needs and nuances of their circumstances.

 - 6 Skills Organisations functions could include:
 - a) responsibility for developing and endorsing Australian Quality Framework training packages and units of competency;
 - b) assisting the Commission with skills needs forecasting by coordinating industry input and validating the Commission's findings;
 - c) improving the quality of outcomes through independent assessment of competencies; and
 - d) assisting learners and employers to make informed decisions by developing work-readiness assessment tools and mechanisms to assess the quality of training providers.
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