New Arrangements for Training Product Development for Australian Industry
Key messages

- The Government aims to enhance Australia’s economic prosperity by ensuring the future and emerging skills needs of industry are met.
- Industry has told us that in order to do this, the national training system needs to be more responsive to industry needs, flexible enough to satisfy the needs of employers of all sizes, across all industry sectors.
- But we also need to retain the strengths of our current system, that is a national system that:
  - is founded on industry engagement in setting training priorities and products;
  - produces high quality training; and
  - is internationally regarded.
- We need to revitalise industry engagement in the national training system. To do this we will put industry at the centre of the new arrangements and support a dynamic approach to industry engagement. This will ensure industry needs are met as they arise across all industry sectors.
- The new arrangements will be established through an open competitive grants process.
- The process will aim to find organisations that are best placed to assist industry with engagement and development of training products. And it is industry who will measure how effective that engagement is.
- The new arrangements will find efficiencies through reduction in duplication of effort and work schedules that are based on needs as they arise.

New Arrangements for Training Product Development for Australian Industry

The Australian Government is renewing arrangements for engaging Australian industry in the development of training products that guide delivery of vocational education and training. Training products set out the outcomes of training expected of industry for workers. The quality of the specification of these outcomes ensures that graduates of the training system have skills at an accepted Australia-wide industry standard and improves their chances of securing a job or moving up in their career. Training products that align strongly with the needs of industry and employers offer employers the assurance that trained employees operate to an industry standard, and bring new skills to help build the effectiveness of the workplace.

The point of exchange between the training system, industry bodies and other key players such as licensing bodies is central in the new arrangements. Commonly referred to as Industry Reference Committees under current arrangements this is the point where industry need informs training requirements. New service bodies, which will be established through an open process, will support the committees to do their work. The newly formed Australian Industry and Skills Committee will oversight the new arrangements to ensure the work of the committees and service bodies is timely and relevant to industry.

The Government is committed to skills training that is high quality and delivers real skills for jobs. To achieve this, industry advice must drive the training system, particularly the development and review of training products. The Government will introduce contestability in training product development and review to:

- Ensure industries/employers/enterprises are driving the training package process so that skills standards and competencies align with modern work-practices;
- Ensure all industry stakeholders can have their say on the training needs of their current and future employees, and changes can be made if industries are not being listened to;
- Drive greater cross-industry skills standards, recognising that many core skills are common across industries, to simplify training packages for students, employers and training providers;
- Promote excellence through specialisations and higher level skills; and
- Achieve efficiencies for taxpayers through improved scheduling of this work.
New approaches to the development of training products are required to ensure training continues to respond to rapid changes in demand by industry for skills and to ensure the skills of Australian workers are at a world-class standard. Australia’s economic prosperity depends on accessing new business opportunities locally and internationally and being the most productive and efficient in our current domestic industries. Australia cannot afford to be complacent about the skills level of the workforce. Given that many components of production and services can be bundled and then supplied in a global market means that Australian businesses need to have access to workers with the most current skills, otherwise Australia will be seen as a less attractive place to do business.

All Australians should be able to rely on training that gives them a bright future regardless of the changes in the economy and the way work is organised. Not only do workers need technical competencies they also need a deep appreciation of the industry they work in so they can help solve problems and boost the productivity of the workplace. Workers also need career and vocational competencies to navigate their working life. Most workers will have many employers over their career, and increasingly, many technical specialists will be engaged in sessional work across many work-sites. Embedding a new culture of entrepreneurship through our training is also crucial to helping Australia explore new business opportunities.

**New approaches support state and territory training delivery**

On behalf of all Australian governments, the Commonwealth has been responsible over several decades for engaging industry to develop and maintain industry defined qualifications in the form of training packages.

Training packages specify the skills and knowledge required for workers to perform effectively in the workplace and are designed to meet the training needs of an industry, or a group of industries. Training packages specify competencies in the form of skills and knowledge required to operate effectively. Units of competency are clustered into vocational education and training skills sets and qualifications (aligned with the Australian Qualifications Framework), which also form part of training packages, along with guidelines for assessment. Training packages do not suggest how a learner should be trained as this is the function of registered training organisations (RTOs) in designing delivery to meet local circumstances such as the need of employers or the learning style of participants.

Industry defined competencies that can be brought together into skills sets or full qualifications that have national application are one part of the framework that provide flexibility to states and territories. Nationally consistent regulation of training providers ensures delivery also meets national quality standards. These arrangements also offer portability benefits. Qualified workers can move around Australia and have their skills recognised without the need for further training. Businesses can move work and workers around Australia comfortable in the knowledge that the same skills are applied in the workplace. Employers also have the assurance that workers have skills that meet industry-defined standards. As a result, public funding of training by all governments produces local as well as national benefits.

**Current industry advisory arrangements have served Australia well**

National industry advisory arrangements have helped embed a training culture across the Australian economy.

National arrangements for developing training packages and accessing industry advice have also evolved over this period. From 2004, 29 Industry Training Advisory Bodies and recognised organisations were brought under the Industry Skills Councils model, resulting in the twelve councils operating today.

Industry Skills Councils have played a key role in promoting the value of nationally consistent training across all industry sectors. New industry sectors have been brought into the training system. Between 2003 and 2013, the proportion of working-age Australians whose highest qualification was a VET qualification grew 1.6 percentage points from 30.2 to 31.8 per cent (this excludes graduates who also have a higher education qualification).  

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1 Source: ABS, 2013, Education and Work, Australia 2013
Today there are over 1600 industry defined vocational qualifications and over 17,000 units of competency. Managing this number and ensuring consistency in quality is a major load on the councils and the training system.

In an increasingly competitive, globalised and technologically-advanced economy, new approaches are required. The current industry representative model is not suited to the demands facing vocational education and training if it is to continue to meet the needs of industry. There are rapid changes in work requirements forced by global market challenges and further advancements in information technology and global telecommunications. This is resulting in changes in industry structures and the skills required of workers. Higher order technical skills, the capacity to engage on-line and solve problems and understand the inter-connections in work practices are required across many industries by more workers. Poor foundation skills require a VET system-wide response that can be applied across all industry sectors.

The challenge for Government is to establish a more dynamic approach to engaging with industry that fosters responsiveness which represents better value for money, yet maintains the valuable elements of the current model.

Feedback to Government indicates renewal is needed

Over 300 submissions were received in response to the Government’s discussion paper in late 2014, Industry Engagement In Training Package Development – Towards A Contestable Model. The majority of respondents, representing industry and training providers, affirmed that national industry defined competencies and qualifications which offer workers portability of their qualification across Australia are key elements that need to remain. Retaining defined channels by which industry representatives can input to training product content and design were also seen as crucial, especially to build industry confidence in the training system. An independent capacity to bring various industry sector perspectives together was seen as a critical to avoid fragmenting of qualifications that jeopardise the national character of VET qualifications.

But feedback also pointed to areas for improvement. Some respondents questioned whether there is consistency in the depth of engagement across industry representatives when it came to the review of training products and the gathering of intelligence from industry that informs the need for change. This may also point to industry withdrawing from their obligations to input into the development of training products. Industry stakeholders retaining deeply entrenched positions about scope of qualifications which delay development of new qualifications also gives rise to criticism of lack of responsiveness. Poor practice of training providers in developing and delivering courses within the outcomes based model of training packages was raised as a concern that the sector needs to address.

Areas of efficiency were also identified. The rate of change to training packages and the annual environmental scan across all industry sectors were seen as areas where new approaches could be considered. The capacity to generate more common units of competency and to develop genuine cross-industry qualifications to minimise qualification duplications are challenges the system needs to address.

Industry engagement needs to be at the centre

The exchange between industry and the training system at the industry reference committee level of current arrangements will become the centre of industry input to training product development. This function currently underpins the operation for determining the need for change and renewal of training products and is the conduit for scanning industry for indicators of systemic changes in skills requirements.

Representatives from industry who are the champions of skills development in their relevant sub sectors guide the skills development priorities for their industry and will be further empowered to do so in the future. Employer representatives will be able to come together to set out the competencies required for their industry. Their connections also give them first-hand knowledge of trends in the industry that need a training response. In turn, these representatives are able to be the conduit to promote skills development.
The function of Industry Reference Committees (IRCs)

Industry reference committees provide the industry engagement mechanism at the centre of training product development. They provide the forum for industry engagement, an avenue for feedback on industry trends and a conduit for promoting VET. Committees will not do this without support. The Government will fund skills service organisations to provide this support.

Industry reference committees or similar representative arrangements underpin the current arrangements by industry skills councils to guide and provide input on industry demand for qualifications. Committees would be set up on an as needs basis. Some may operate on a standing basis and meet regularly given the priority of training for the sector or the rate of change to training products. Some may be stood up for a specific purpose and would be time limited.

Current committees under Industry Skills Council arrangements will continue in the first instance, however once new arrangements are in place a process would be undertaken to establish a new set of committees or refresh membership of ongoing committees. Members must represent a significant proportion of the industry sub-sector concerned and have a demonstrated understanding of the application of training in their sectors. The Australian Industry and Skills Committee, in approving IRCs, would be looking for evidence that the membership as a whole was sufficiently representative of the industry concerned, included employers or had access to employer views, and there is sufficient turn-over in members in order to promote fresh perspectives into the work of the committee.

Depending upon the training product coverage of a committee, it would have responsibility, with assistance from the skills service organisation, to:
- gather industry intelligence for their industry sector/s to inform advice on training product development and review;
- prepare a business case to support a major change or renewal of training products;
- oversight training product development; and
- prepare support materials and services that would help in rolling out the training in the sector.

The Australian Industry and Skills Committee would develop a schedule for renewal of training products based on initial advice from industry. Renewal would not be automatic but would depend upon factors such as genuine need for change in the industry sector, new regulatory requirements, known quality issues in delivery of the training and usage of the qualification.

After the initial set-up phase, the Australian Industry and Skills Committee would determine the need for committees and the scope of their work.

Efficiencies would be achieved over time as committees take on a broader coverage of qualifications and industries.

Committee membership represents the in-kind contribution of industry to the training system.

New support bodies will be established through an open process

Skills Service Organisations will be established via an open contestable process and funded by Government to support the work of industry reference committees and to support the roll-out of training products to the training system. These organisations will be expected to have a range of capabilities most importantly to assist IRCs in industry engagement, complemented by an understanding of training product development and the Australian vocational education and training system. Organisations do not need to represent industry sectors; this is the role of industry reference committees. However, organisations may choose to specialise in particular industry sectors.
The Government will enter into a formal funding agreement with selected skills service organisations based on the demonstration of their capacity to deliver a range of specified functions. Central to the Government’s consideration will be the professionalised capacity of the board to assure high quality services are provided to the reference committee and the VET system. The Government also recognises that funding to these organisations will need to be sufficient to stand-up capacity to serve a variety of reference committees and to access training product development expertise.

In view of the service role expected of these organisations, there will be no restriction in the funding agreement with the Government which prevents them from conducting commercial activities. However capability and products developed under Commonwealth funding will be owned by the Commonwealth on behalf of the national training system.

**The function of Skills Service Organisations (SSOs)**

Skills Service Organisations will be incorporated entities with professional boards overseeing their operations and services to industry reference committees. The organisation will receive funding to provide technical, operational and secretariat support to industry reference committees assigned to them.

In addition to supporting industry reference committees discharge their responsibilities, the service organisations will also:

- be responsible for facilitating the development of training products on behalf of their IRCs, including engagement across industry and the training sector;
- provide quality assurance of training products and conduct the training product development process in accordance with the approved IRC business case;
- manage the training products through the endorsement process on behalf of their IRC;
- upload training products and other materials, including procedural information, onto training.gov.au; and
- prepare support materials and services as agreed with their IRC, to help with quality training delivery.

Skills service organisations are expected to have a demonstrated capacity to engage with industry representative bodies. They do not need to represent the industry, or be drawn from the industry. Primarily the organisations need to have very good skills in supporting engagement, complemented by an understanding of national training policies and the competency based approach of training. They must also maintain capacity of access to services for the development of training products.

Selection of skills service organisations will be determined through an open competitive process and will be based on the capacity of the organisation to undertake these tasks and value for money.

This process would establish a fee schedule for key training product services and support to industry reference committees. The Government acknowledges that some core guaranteed funding will be required to enable skills organisations to be stood up in the first instance.

Innovative approaches to engagement with industry and with enterprises to open-up input to training products will also be a factor in the selection of these organisations.

**Strategic Oversight by the new Australian Industry and Skills Committee**

Ministers with responsibility for skills have established the Australian Industry and Skills Committee (AISC) to provide industry input on improving the quality and relevance of vocational education and training. The committee will also offer industry insights to guide research as well as formally endorse training products (qualifications) as representing industry skills need for national application. As part of its role in providing industry oversight of the quality and relevance of training, the committee will also guide the training product development process outlined in this paper.
The role of the Australian Industry and Skills Committee (AISC)

As the national industry body responsible for overseeing the national training system, the AISC has members nominated by the Commonwealth, all states and territories as well by industry peak bodies.

The AISC will play a central role in the new approach to training product development by prioritising and scheduling this work on the basis of industry demand and government priority.

To assist the AISC to oversight an efficient process, operational and secretariat will be provided when required by the Commonwealth, and will include:

- gathering labour-market and system wide analysis for skills demand;
- scheduling industry intelligence gathering by sector, or sector cluster, on a basis that gives skills service organisations capacity to resource and undertake the work;
- considering business cases for the renewal of training products;
- scheduling training product development work;
- quality assuring and endorsing the products; and
- assessing the effectiveness of the skills service organisations and re-allocation industry reference committees or services if required.

The AISC’s functions will be supported by the Department of Education and Training. The AISC reports to the COAG Industry and Skills Council.

Maintaining responsiveness

Industry reference committees will be stood-up according to need. Many may be ongoing given the nature of the particular industry sub-sector they represent, while others may be required less often.

Skills service organisations are expected to evolve over time as they innovate in responding to reference committees and build capacities to engage with enterprises to test the relevance of competencies and training products. The Government, through the AISC, will establish industry-based performance feedback mechanisms to test the quality of the services provided. If performance dictates, industry committees may seek to change organisations. A protocol for the operation of industry reference committees will also be established to ensure they represent the needs of all their constituency and meet expectations set of them by the AISC.

New or emerging industry sectors with need for vocational training can approach the AISC for coverage within these national arrangements. New training products to support skills needs for emerging industry sectors or to address gaps in training coverage will be commissioned by the AISC and assigned to skills service organisations based on value for money.

Significant efficiencies are expected from these new arrangements. Industry scanning (e-scans) and training product development will be based on a schedule set by AISC taking account of overall demand for renewed training products and development of new skills sets or qualifications. Renewal of training products will be set by the AISC at a strategic level based on feedback to criteria from industry reference committees.
Where, in the past, industry ownership of training products and support materials has been disputed or competencies duplicated, the AISC will play a stronger role in addressing these issues in assigning training product development work. This includes common core higher level technical skills which are required across many industries. Development of competencies and qualifications to build foundation and work readiness skills, principally at Certificate I and II, will be assigned to a skills service organisation for development application across the VET sector.

Changes to the purpose and form of training products envisioned in the Review of Training Packages and Accredited Courses will be accommodated within this new model.

The way forward

The Government through the Department of Education and Training will establish these arrangements through an open competitive grants process.

The first stage of the process will be an open Expression of Interest (EoI) for interested parties to submit proposals to stand-up a skills service organisation to support a range of industry reference committees. In the EoI proponents will be expected to demonstrate their capacity to engage with industry in development and review of training products, and to stand up and service IRCs.

The second stage will be a Request for Quote for services from short-listed bodies representing defined industry sectors determined through the EoI process.

The AISC will also oversee the establishment phase.

A new era of industry input to training in Australia

The Australian training system is held in high regard internationally for the strength of industry engagement in setting training priorities and defining their training needs. These new arrangements establish a dynamic model of accessing advice from industry and enterprises to guide training. The nature of change in demand for skills requires this new model. If Australia is to retain its competitive advantages, including the depth of skills in the Australian workforce, new flexible and dynamic approaches are required. An open contestable approach, which opens access to all industry representatives to channel advice into the training system and shape change, is needed for the training system to support Australia’s future economic prosperity.