

## **ERTO A DISCUSSION PAPER**

# **The role of enterprise RTOs in skilling the Australian workforce**

**September 2009**

## Executive Summary

Enterprise RTOs make a significant contribution to skilling Australian workers. However, this contribution, represented in VET completions, is substantially under reported. Members of the Enterprise RTO Association (ERTO A) are businesses and Government agencies with a commitment to quality learning and development to ensure their employees can contribute effectively to business outcomes. They are also Registered Training Organisations (RTO). ERTOA members have developed business-focused processes to justify and maintain their RTO status. The models developed by ERTOA members provide a franchisable template for providing employees with access to qualifications from the National Training Framework whilst using the existing quality learning, development and performance appraisal processes of the business enterprise.

Exposing enterprises and other RTOs to the ERTOA training model has the potential to see many existing Australian workers have their skills developed and recognised in order to gain national qualifications. Up-take of the model within enterprises will assist in meeting the COAG National Agreement for Skills and Workforce Development to provide working aged Australians with the opportunity to develop the skills and qualifications needed to enable them to be effective participants in, and contributors to, the modern labour market.<sup>1</sup>

Partnerships between enterprise RTOs, or between public, private and enterprise RTOs that focus on all aspects of workforce capability development rather than just training provision, open up new work opportunities for RTOs.

This paper makes a series of recommendations to assist in meeting the COAG Agreement objectives. The paper also lists some practical initiatives that support the recommendations.

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<sup>1</sup> COAG National Agreement for Skills and Workforce Development

## The enterprise RTO

1. There are currently three broad groupings of providers of vocational education and training in Australia. These are the TAFE sector, the private provider sector and the enterprise RTO sector. The enterprise RTO sector is typified by successful Australian companies such as Qantas and Woolworths, and Government departments including Defence and the Australian Tax Office. The principal business of these enterprises is not education and training however they provide their employees with comprehensive training and development programs to ensure they can perform their jobs well and contribute to the achievement of the enterprise business objectives. Registration as an RTO enables these enterprises to leverage their training investment through the issue of relevant National Training Package qualifications to employees completing the enterprise training and assessment program. There are 250 to 300 registered enterprise RTOs across Australia.
2. The peak body for enterprise RTOs is the Enterprise RTO Association (ERTOAs). This Association was formally incorporated in late 2006 and its members include some of Australia's largest employers. A list of current members and the criteria for membership are provided for information in Attachment 1.
3. The majority of the accredited training activity provided by enterprise RTOs is not collected or reported as part of the annual national VET data collection because it is not publically funded. However, the outputs of enterprise RTOs in terms of courses/units/competencies completed are significant. Estimates based on a 2008 ERTOA profile report suggest that enterprise RTOs generated 90,000 to 100,000 course completions and at least 1.5 million competency completions during that year. Whilst a small percentage of this effort was collected by AVETMIS reporting, the vast majority was not captured or reported in the national VET effort. As a consequence the valuable contribution enterprise RTOs make to national skills development of the Australian population is largely unrecognised.

## The enterprise RTO training pathway to VET qualifications

4. ABS figures from 2002 indicate that a high proportion (~80%) of Australian employers provide some form of structured training for the purpose of developing the workforce capability of their employees.<sup>2</sup> However, a more recent NCVER report titled 'Australian vocational education and training statistics: Employers' use and views', published in 2007 provided a revealing breakdown of employer use of nationally recognised training. The report found only 22.1% of employers provided their employees with

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<sup>2</sup> ABS, Employer Training Expenditure and Practices, 636 2.0, 2001 – 02, Page 3

nationally recognised training in 2007 – a slight decline from the 2005 figure of 24.1%.<sup>3</sup>

5. Strong anecdotal evidence, and research into the models used by ERTOA members, suggests that much of the 'job-specific' training currently provided to employees in the workplace can be mapped directly to the content of National Training Packages. Additionally, the outcomes of enterprise job performance and normal business process measures can provide valid and reliable evidence for comprehensive assessment of competency.
6. Members of the Enterprise RTO Association (ERTO A) have recognised the compelling business case for aligning their existing enterprise training programs with relevant National Training Packages and the benefits of offering their employees pathways to VET qualifications. The majority of internal training programs developed and conducted by these successful well-run enterprises are of high quality and satisfy the requirements of the AQTF standards with minimal additional cost and effort. The effectiveness of this enterprise RTO training and assessment model is now well established.<sup>4</sup>

#### Meeting COAG Agreement targets for skills and workforce development

7. The COAG National Agreement for Skills and Workforce Development defines the objectives, outcomes, outputs and performance measures, and clarifies the roles and responsibilities that will guide the Commonwealth and States and Territories in delivery of services across the skills and workforce development sector. The Agreement affirms the commitment of all Governments to work in partnership with businesses and industry, to develop the skills of the Australian people' and it identifies workforce development as 'a new area for Government focus and public policy development.'<sup>5</sup>
8. The COAG Agreement proposes that all working aged Australians have the opportunity to develop the skills and qualifications needed to enable them to be effective participants in and contributors to the modern labour market. The outcomes sought by the Agreement include:
  - The working age population has the depth and breadth of skills and capabilities required for the 21<sup>st</sup> century labour market
  - The supply of skills provided by the national training system responds to meet changing labour market demand
  - Skills are used effectively to increase labour market efficiency, productivity, innovation and ensure increased utilisation of human capital.

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<sup>3</sup> *Australian vocational education and training statistics: Employers' use and views of the VET system 2007 – Summary, NCVER 2007*

<sup>4</sup> *'Guide to implementing AQTF in a business environment' at [http://www.ertoa.org.au/library\\_AQTF.htm](http://www.ertoa.org.au/library_AQTF.htm)*

<sup>5</sup> *COAG National Agreement for Skills and Workforce Development, para 5, page 3 and para 13, page 4*

9. The Agreement identifies a number of key outputs which will act as a proxy to measure progress towards these outcomes. These include;
  - Number of enrolments in vocational education and training.
  - Number of course completions in vocational education and training.
  - Number of unit/module completions in vocational education and training.
10. The COAG Agreement seeks to achieve two primary targets as follows:
  - Halve the proportion of Australians ages 20-64 without qualifications at Certificate III level and above between 2009 and 2020.
  - Double the number of higher qualification completions (diploma and advanced diploma) between 2009 and 2020.
11. In responding to these targets Government policies have looked to a range of initiatives to increase training places in the traditional TAFE and private provider learning pathways. However, if Government policies were extended to explicitly encompass enterprise training pathways, the existing training investment of Australian enterprises can be leveraged into a significant contribution to the achievement of the COAG Agreement targets.

#### Collecting and reporting enterprise RTO training data

12. The COAG Agreement identifies roles and responsibilities for State, Territory and Commonwealth Governments. These include two that are specifically related to the collection and reporting of VET data as follows;
  - Provide the necessary information and data to enable the production of the Annual National Report
  - Coordinate the development and production of the Annual National Report.
13. The annual national VET data collection does not include the major part of the accredited training activity currently provided by enterprise RTOs. As a consequence it consistently understates the annual total VET effort in Australia.
14. The recent introduction of mandated AQTF Quality Indicators, including qualification and competency completions, means that an accredited training database for all Australian RTOs now exists. This database is managed and maintained by NCVER, however, this data is not accessible by third parties, nor is it available for inclusion in any national collection of VET effort.
15. ERTOA has consistently lobbied for the collection and reporting of course and competency completion data for all VET providers to ensure that the contribution and value of the significant skills and workforce development activities of enterprise RTOs are properly recognised.

## Promoting the enterprise RTO training model

16. The principles underpinning the COAG Agreement include:
  - Government policy and investment priorities are informed by the needs of the clients of the training system – individuals and businesses;
  - Investment in skills is a joint responsibility between Governments, individuals, businesses and industry;
17. Both of these principles are clearly demonstrated in the enterprise RTO training model (The model is described in detail in Attachment 2). Here enterprises design training to meet their specific business needs, deliver training as part of their normal business operations, map enterprise employee work performance measures to assessment outcomes for National Training Package qualifications, and apply enterprise quality assurance processes that meet the quality assurance standards of the AQTF.
18. Enterprise RTOs currently represent a small proportion of the 80% of Australian businesses offering their staff some form of formal structured training.<sup>6</sup> If the models of training, assessment, evidence gathering and issuing of qualifications developed and implemented by ERTOA members were used more broadly in other business enterprises they would make a significant contribution to the achievement of the COAG Agreement targets without the need to fund additional training places in traditional learning pathways.
19. The development of Government initiatives to positively promote and encourage the implementation of the enterprise RTO training model amongst Australian businesses would seem consistent with the stated objectives of the COAG Agreement.
20. The principal aim of the following initiatives is a significant increase in the number of Australian businesses using the enterprise RTO training model – leading to a direct positive effect on the achievement of the COAG Agreement targets and outcomes. Practical initiatives to achieve this could include;
  - The identification and documentation of exemplar enterprise RTO training model case studies amongst ERTOA members.
  - Ensure the needs of enterprise RTOs are explicitly included in the development of VET policy including Training Package development, skill sets and non-endorsed Training Package components and funding programs.
  - Research training effort in enterprises (including Government agencies) to identify potential target enterprises for the promotion and implementation of the training model.

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<sup>6</sup> *Australian vocational education and training statistics: Employers' use and views of the VET system 2007 Summary NCVER 2007*

- In conjunction with ERTOA and employer organisations such as the Business Council of Australia (BCA), Australian Industry Group (AIG) and the Australian Chamber of Commerce and Industry (ACCI), design and conduct a series of industry sponsored workshops to highlight the training model, its advantages from a business perspective, the incentives available, and the minimal implementation and running costs involved. The workshops should explain and promote the business case for the training model and its integration into the existing business environment.
- The provision of appropriate advice and support to enterprises seeking to gain and maintain RTO registration and to implement the training model.
- Evaluation of the success of the initiatives in promoting the training model and the contribution they have made to the achievement of the COAG Agreement outcomes.

## Partnerships

21. The enterprise training model and associated workforce capability development pathways having also open up opportunities for enterprise RTOs to enter partnerships.

- Opportunities exist for enterprise RTOs to develop expertise in a narrow band of disciplines and to share that expertise with other ERTOs. For example; development of training, performance appraisal (assessment) tools and processes, mapping workplace assessment processes to Training Packages, specific training delivery practices, RTO data collection and reporting, and processes for validation and moderation could all be shared between enterprises.
- Surveys of ERTOA members in 2007 and 2008 show a large percentage have partnership arrangements for specialised delivery and assessment with an external TAFE or private provider RTO. This typically involves training and development in areas the enterprise does not consider core business. Typical examples are Frontline Management and Training and Assessment. Whilst there are many innovative providers willing to partner with enterprises, most still see their role as providing training. Partnership arrangements with other RTOs would be much more attractive to enterprises if the RTO is able to talk business performance improvement and workforce capability development, for which training may be one solution.

## Recommendations

22. The current under-reporting of the contribution enterprise RTOs make to the skilling of the Australian workforce results in a significant component of VET sector activity remaining unrecognised. Accurate reporting of this activity, and the wider use of the enterprise RTO training model amongst Australian businesses more generally would greatly boost the supply of skills provided by the national training system and help ensure the working age population has the depth and breadth of skills and capabilities required for the 21<sup>st</sup> century labour market.<sup>7</sup> ERTOA proposes the following recommendations for achieving this change to the Australian VET sector.

- Recommendation 1** Governments take steps to collect the necessary information and data to ensure the Annual National Report provides a true measure of Australia's total annual VET effort.
- At present the majority of the VET effort of enterprise RTOs goes unreported and largely unrecognised. Inclusion of enterprise RTO data would provide a significant boost to the achievement of COAG targets without the need for the provision of additional training places in the more traditional learning pathways
- The completion data included in the mandated AQTF Quality Indicator Competency Completion collection and managed by NCVET is currently the only existing source of enterprise RTO activity data but it is not available for national reporting purposes.
- Recommendation 2** Identify and implement initiatives for the promotion of the enterprise RTO training model.
- The model has considerable potential for transference to other businesses which have existing non-accredited training and development processes. If the models of assessment, evidence gathering and issuing of qualifications developed and implemented by ERTOA members were used more broadly in other business enterprises, they would make a significant contribution to the achievement of the COAG Agreement targets.
- Recommendation 3** Extend existing Government policies and incentives to explicitly encompass enterprise training pathways.
- This would allow the existing training investment of Australian enterprises to be leveraged into a significant contribution to the achievement of the COAG Agreement targets.
- Recommendation 4** Design and deliver professional development opportunities for enterprise RTOs, public and private providers.
- This would introduce RTOs to a wider role in performance improvement and as performance consultants, as they develop relationships and partnerships with enterprises.

Attachments . . .

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<sup>7</sup> COAG National Agreement for Skills and Workforce Development, para 17 and 18, page 5

## Attachment 1:

What is an enterprise RTO, what is ERTOA, and who are members?

Enterprise RTOs are businesses and government agencies who provide high quality business-focused training and development programs for their employees and who have gained and maintain registration as an RTO.

The primary business of an enterprise RTO is not training and development and the RTO operation is typically embedded within the existing business operations and processes of the enterprise. Enterprise RTOs are a distinct and unique component of the Australian VET sector and differ markedly from TAFE and private providers in their business objectives, operational environment and target learner populations.<sup>8</sup>

The Enterprise RTO Association was formally incorporated in the ACT in October 2006 and was formally launched by the Hon Gary Hardgrave, Minister for Vocational and Technical Education on 16<sup>th</sup> November 2006. ERTOA is a national association and its members include some of Australia's largest and most successful businesses. The current membership list is provided below. The Association has two broad objectives as follows:

### Objective 1

To support and assist the member enterprise RTOs and their staff to operate effectively and efficiently by enabling members to:

- seek advice, exchange ideas and experiences with colleagues from other organisations on all aspects of setting-up and running an enterprise RTO;
- participate in regular meetings with colleagues from other enterprises to discuss issues of concern, exchange ideas and give and take advice; and,
- participate in, and contribute to, an association that has a mandate to commission and publish research on specific issues facing enterprise RTOs.

### Objective 2

To provide formal representation and promote the interests of members by:

- interacting as an association, and in a coordinated way, with State Training Authorities, Industry Skills Councils, DEEWR and other VET players, on the issues faced by enterprise RTOs in order to promote greater recognition of enterprise RTO activities and interests;
- participating as a formal association with a 'seat at the table' whenever discussions occur, and decisions are made, affecting enterprise RTOs; and,
- influencing the Australian VET sector regarding enterprise RTO issues and interests.

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<sup>8</sup> Smith, Erica and Smith, Andy(2009)'Making training core business: Enterprise Registered Training Organisations in Australia', *Journal of Vocational Education & Training*,61:3,287

ERTOAs are represented on review panels, in policy discussions, at conferences, at the National Quality Council (Action Groups), on Skills Councils and makes numerous representations on policy development. ERTOAs have close links to the other peak provider bodies. ERTOAs commission and publishes research that contributes to members' business outcomes and supports members with regular meetings, professional development activities, special interest groups and email advice. Members offer support to each other as they deal with the day by day issues in managing their enterprise's workforce development and RTO operations.

ERTOAs membership list as at September 2009:

1. Accor Hospitality
2. Australian Broadcasting Corporation
3. Australian Customs Service
4. Australian Drilling Industry Training Committee Ltd
5. Australian Public Service Commission
6. Australian Railroad Group
7. Australian Tax Office
8. Boral Construction Materials Limited
9. Brisbane Convention & Exhibition Centre
10. Carter Holt Harvey
11. Department of Defence
12. Department for Families and Communities (SA)
13. DP World Australia
14. HBF Health Funds Inc.
15. Hungry Jack's
16. IAG Services Pty Ltd
17. IBM Australia
18. Life Without Barriers
19. McDonalds Australia Limited
20. National Pharmacies
21. NSW Department of Corrective Services
22. NSW Fire Brigades
23. OneSteel Whyalla Steelworks
24. Optus Administration Pty Ltd
25. Pilbara Iron Company (Services) Pty Ltd
26. Public Transport Authority (WA)
27. Qantas Airways Limited
28. RailCorp (NSW)
29. Skilled Group Training Services
30. State Transit Authority of NSW
31. Surf Life Saving Australia
32. Surf Life Saving NSW
33. Surf Life Saving WA
34. Toyota Motor Corporation of Australia
35. TransAdelaide
36. Transfield Services (Australia) Pty Ltd
37. Wesfarmers General Insurance Limited
38. Westpac Banking Corporation
39. Woolworths Limited
40. Yum Restaurants Australia Pty Ltd

## Attachment 2:

What is the enterprise RTO training model?

This model allows new and existing staff working within enterprises to gain the skills they need to be productive workers while, at the same time, gaining national qualifications. This is achieved by utilising to the fullest extent the existing business processes and training interventions of the enterprise rather than applying a separate additional layer of qualification-focused design, delivery or assessment. The enterprise RTO model is described in detail in the ERTOA paper titled '*A Good Practice Guide for Training and Development for Enterprise RTOs implementing AQTF2007*'. This is available from the Association's web page.<sup>9</sup>

The model, if applied more broadly to Australian enterprises both in the private and government sector, has the potential to provide up-skilling and skills recognition to thousands of workers without the need to create additional training places in the more traditional VET learning pathways.

Engagement with the National Training Framework is of benefit to enterprises in a number of ways:

- Improved quality of training and assessment
- Improved job performance measures and appraisal processes
- Improved evaluation and ROI processes
- Access to incentives to assist enterprises to train their employees
- More attractive recruitment and retention strategies
- Better targeting of training needs that can lower business costs and result in more satisfied staff

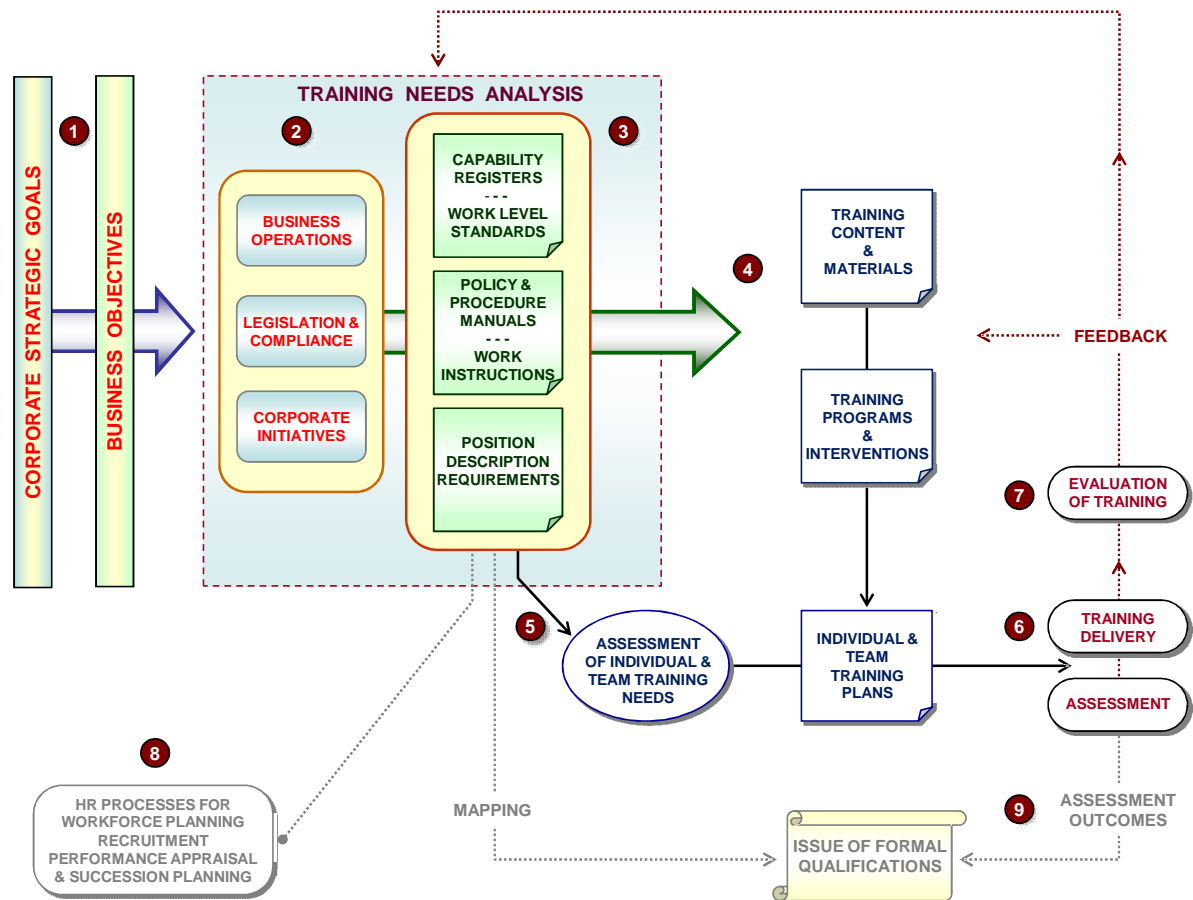
The models developed and documented by ERTOA members illustrate how mature enterprise RTOs utilise their existing business processes to provide evidence of compliance the AQTF. They also document the potential sources of competency assessment evidence available from existing business processes and used to progress employees toward nationally recognised qualifications.

The enterprise RTO training model is described in detail in the following pages.

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<sup>9</sup> See: <http://www.ertoa.org.au/library/ERTOAs%20implemenation%20guide%20December%202007.pdf>

The enterprise RTO workforce capability development model.

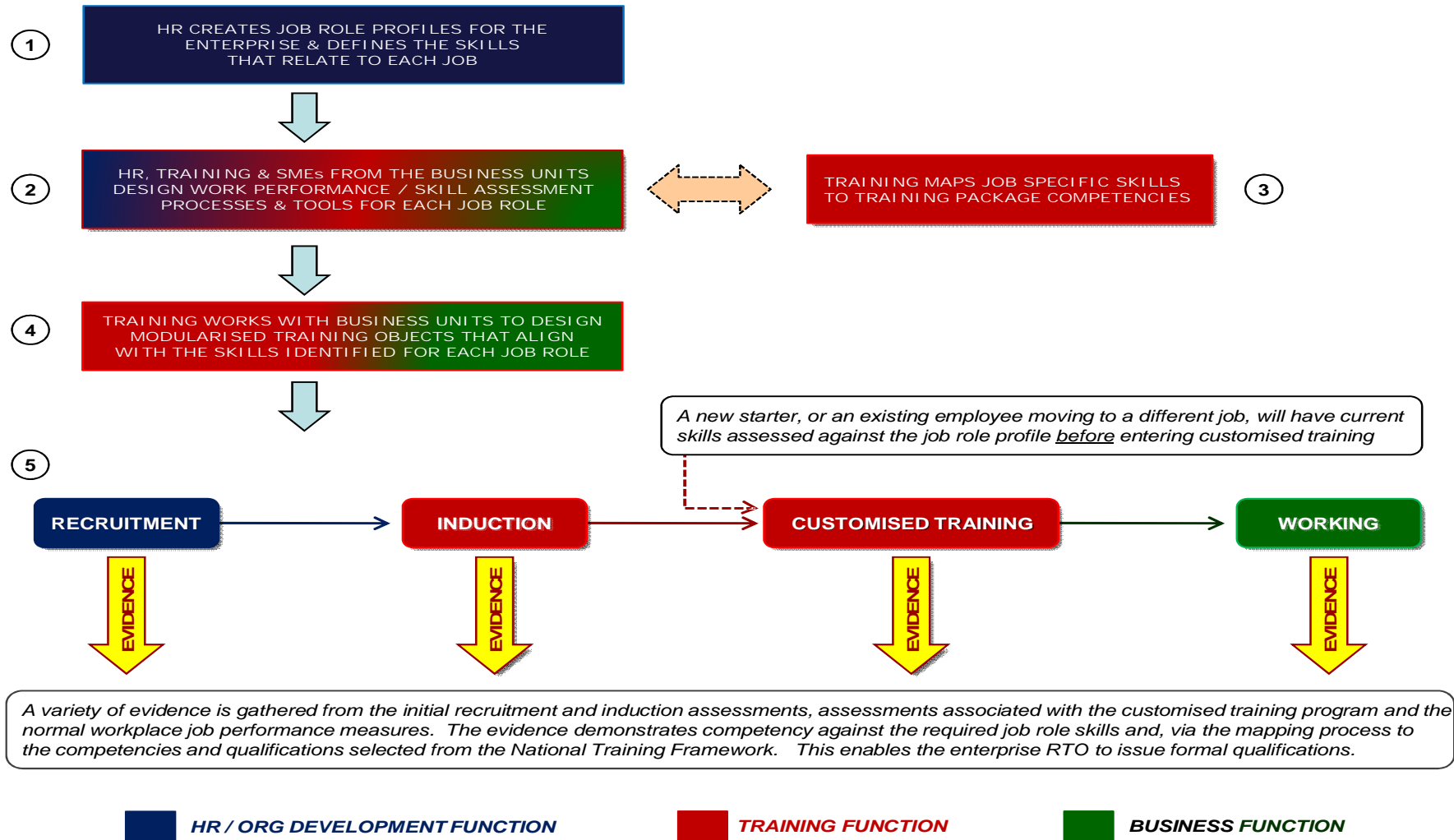


Narrative:

- 1 | The corporate goals explain why the enterprise exists and provide the strategic foundation for the definition of business operations.
- 2 | The business operations are documented in the form of work instructions/procedure manuals. These documents will also include where appropriate additional information related to the requirements of legislation and compliance and specific corporate initiatives.
- 3 | Work instructions detail the tasks and activities required to carry out particular work components. The work instruction is the source document for identifying the job skills (competencies), knowledge, and where appropriate the physical attributes required to carry-out the work.  
Many of the business operations within an enterprise will share common skills and knowledge requirements. The building and maintenance of some form of enterprise 'skills or competency' register will facilitate mixing and matching of these competencies as new work instructions are developed or existing ones updated. As far as practical, each specific skill or competency contained in the register will have an appropriate 'training module' associated with it.  
The enterprise work instructions and competency register are the source documents for the development of position descriptions and sign-off processes that ensure that the needs of key position description stakeholders (including training and development) are reflected.

- 4 | Work instructions, procedure manuals and position descriptions are the source documents for the development of specific training and development programs. Each position will be associated with an appropriate training program and each employee assigned to a given position will have a training requirement that reflects the associated training program.
  - 5 | The skills and knowledge of an employee assigned to a particular position are assessed against the defined requirements of the position using an agreed standard process and template (i.e. an individual training needs analysis).  
Current skills and knowledge relevant to the position are formally recognized (RPL) and the employee undertakes only those components of the training program designed to develop the skills and knowledge found to be lacking (i.e. individual and team training plan).
  - 6 | Planned training and development programs are delivered and the training outcomes assessed as appropriate
  - 7 | The enterprise strategy for the evaluation of training is implemented and provides feedback through the agreed and understood quality assurance and risk management processes to ensure continuous improvement in the design of training materials and the delivery of training programs.
  - 8 | The work instructions, procedure manuals, skill and competency register and position description documentation; can provide valuable source data for other HR processes including workforce planning, recruitment and succession planning.
  - 9 | If the assessment processes applied to training and job performance are robust and valid (i.e. satisfy AQTF 2007 quality standards), and mapped to relevant Training Package performance criteria, then the assessment outcomes can be used to confirm the achievement of Training Package competencies and the issue of nationally recognised qualifications to employees.
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Flow chart for training development and evidence collection in enterprise RTOs



Narrative:

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- ① The Human Resource/Organisational Development function of the enterprise defines and documents the range of skills and knowledge to be assigned to specific job and team roles within the enterprise. The defined skills and knowledge will reflect the current, developing and future needs of the workplace and, in enterprises with well developed HR and training functions, are reviewed regularly. The defined skills and knowledge may be used to underpin a wide range of business functions including recruitment, performance measurement and succession planning processes, as well as workforce induction and training interventions.
  - ② HR, Training and subject matter experts (SMEs) from enterprise business units work together to answer the question 'How does the business know that this person or team is performing well in their role?' The tools developed to answer this question can take many forms and could include self-assessment, peer-assessment, workplace performance appraisal, challenge tests, third party reports, product quality measures and so on. In the case of new starters; job applications, referee reports and recruitment company reports can all be used to gather evidence. The choice of process should relate to the risk associated with a skill. SMEs may require 'contextualised' assessment processes that suit their particular work situation. For example, the products sold by employees may vary across an insurance company, whilst the underlying selling skills are generic to all products.
  - ③ The training/RTO function of the enterprise reviews the defined skills and knowledge, and most importantly the tools and processes to be used to assess them in the workplace, to decide which Training Packages competencies they best align to. This 'mapping exercise' forms the basis for the evidence gathering process that allows the enterprise to issue nationally recognized statements of attainment or full qualifications to employees as they demonstrate the agreed skills and knowledge in their workplace.
  - ④ The training function of the enterprise and its business units, work together to design modularized training. Training 'objects' are best designed to link closely to individual job skills and may be common across a number of job and team roles. The objects may be designed in two levels - level 1 is the generic object (e.g. selling skills), and may apply across a number of job roles, whilst level 2 is the specific customised knowledge (e.g. knowledge of a particular product or point of sale process). Training objects can be assembled into training programs in various combinations to meet individual or team needs.
  - ⑤ Assessment of competency is ideally based upon evidence from a range of sources including recruitment, induction, training and performance on-the-job. In the case of new starters, components of skills assessment could be contracted to the recruitment company or could occur as a standard part of the induction process. After assessment the employee is provided with a customised training program that reflects their current skills and knowledge. In the case of existing workers, assessment of current skills could utilise a range of tools and/or could be a part of a regular performance appraisal process managed by HR/Organisational Development. Assessment in the workplace based upon evidence from normal, regular performance appraisal processes continues as the employee gains new skills and confidence. This assessment can be used to feed into professional development opportunities for employees that may include additional training.
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For a more detailed discussion see:

<http://www.ertoa.org.au/library/Evidence%20for%20accredited%20outcomes.pdf>