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# Second Submission – Review of the Australian Apprenticeships National Skills Needs List – methodology discussion paper



**NSW Business Chamber**

140 Arthur Street

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## About the Chamber

The NSW Business Chamber ('the Chamber') welcomes the opportunity to make a second submission to the *Review of the Australian Apprenticeships National Skills Needs List*.

The Chamber is one of Australia's largest business support groups, with a direct membership of more than 20,000 businesses, providing services to over 30,000 businesses each year.

The Chamber works with thousands of businesses ranging in size from owner operators to large corporations, and spanning all industry sectors from product-based manufacturers to service provider enterprises.

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## INTRODUCTION

This submission is in addition to the Chamber's previous submission to the Review of the Australian Apprenticeships National Skills Needs List (see Attachment A). The objectives remain the same as those set out in the first Discussion Paper. However, this second Discussion Paper (the Discussion Paper) more fully sets out the proposed methodology and principles to be used in the formulation of the new National Skills Needs List (NSNL).

The six design principles in support of the methodology are:

- a single coherent methodology
- a forward-looking approach
- be responsive to skill shortages
- be transparent yet flexible
- support informed decision making
- prioritise economic and social benefit.

The proposed methodology incorporates two key components:

- a forward-looking data driven analysis of the projected net skills position in an occupation four to five years hence
- targeted industry consultation on the findings of that analysis, informed by a Traffic Light Report on the status of each occupation.

The Department is seeking responses to the following questions:

- Do you support the proposed methodology for identifying skills shortages for the purpose of allocating apprenticeship incentives?
- Are there specific elements of the methodology that you strongly agree or strongly disagree with? Why?
- If you do not support the proposed methodology or parts thereof, what alternative approach(es) do you proposed?

## Support for the proposed methodology

The Chamber does not support the proposed methodology.

The lack of support is due to a number of critical elements in the proposal that still require clarification by the Department. The Chamber considers that many of these elements are sufficient to warrant further review, followed by a round of testing of the methodology, in collaboration with stakeholders, prior to finalisation.

The following comments are offered on those elements of the methodology where the Chamber has specific concerns or requires further clarification.

### A broad skills-shortage methodology

It is not clear why the methodology is being expanded to include occupations for which apprenticeships are not currently an entry pathway, given the purpose of this methodology is to identify apprenticeships eligible for top-up incentives. Such a move appears to conflate the objective of identifying occupational skills shortages with identifying occupations eligible for apprenticeship top-up incentives.

If the desired outcome is indeed for the methodology to move beyond apprenticeship top-up incentives, and instead to identify *all* occupations in shortage, then it is suggested that the NSNL is rebadged as the National Skills Shortage List and the methodology is used as the starting point for determining a range of Government policy levers, including eligibility for migration as well as apprenticeship top-up incentives.

### Quantitative five-year skills forecast model

The Chamber has undertaken analysis of three occupations using the proposed methodology to estimate whether those occupations would be included on the NSNL.

According to our analysis, the following estimates were calculated for 2024 employment:

- Plumbers: deficit of 7,000
- Bricklayers, carpenters and joiners: deficit of 20,000
- Glaziers: deficit of 1,000

This analysis indicates that each occupation would likely warrant inclusion on the NSNL. However, the Discussion Paper states that only those occupations where the “estimated future skills deficit exceeds a threshold” will be placed on the NSNL.

The paper states that the “thresholds ... would be set conservatively” and, it is assumed, that thresholds will differ for each occupation. However, without formal testing and greater clarity around what the threshold will be for each occupation, the Chamber is unable to support its introduction.

### Analysis at the ANZSCO four-digit occupational classification

The Chamber acknowledges the limitations of the availability of data at the six-digit level. However, greater clarity is required around how the analysis will be applied proportionally at the six-digit occupation level and whether these proportions will be based on current employment figures, future employment demand or some other factor. There is potential for these different approaches to particularly impact smaller occupations where the threshold for inclusion on the NSNL is likely to be low.

The Chamber does not support the proposal that "... those occupations [at six-digit level] not indicating any evidence of past skill shortage may be excluded." This appears contradictory to the stated principles of being forward looking and transparent. The Chamber suggests that this caveat is removed from the final methodology. Alternatively, the reverse should also be true i.e. where there *has* been evidence of past skills shortages, an occupation (at six-digit level) may be included.

### Data issues and considerations

The Chamber agrees that skills shortage projections will be subject to a degree of inaccuracy. However, it is not clear what is meant by the statement that reliability issues will be dealt with by "applying eligibility settings that smooth potential volatility in skill shortage assessments".

The Chamber queries whether it is the intention that these eligibility settings result in an occupation not being added to the NSNL if it had been removed the previous year? If so, this approach is not supported as it may result in occupations that are close to the threshold not being added to the NSNL due to their previous removal, rather than being an evidence-based decision.

## **Augmenting modelled outcomes through consultation**

The Chamber strongly supports ongoing consultation given the acknowledged shortcomings in any forecasting model.

Consultation will be particularly critical for smaller occupations for which the modelling may pose the most risk of inaccurate forecasts and of deficits/surpluses being closest to thresholds. However, greater clarity is required on what is considered "robust evidence of a national skills shortage" by the Department.

## **Design features to support certainty**

The Chamber strongly supports the proposal that eligibility for skills shortage incentives is linked to the skills shortage status of the apprenticeship at time of commencement. This will assure businesses of the level of investment required over the course of the apprenticeship.

The paper also proposes that "Given limitations in the data driven demand modelling and the proposed annual review process, consideration could be given to an option that when an occupation is included on the skills shortage list, employers and their apprentices remain eligible for the skills shortage incentives for one year after the occupation ceases to be included on the list."

The Chamber unequivocally supports the introduction of this option and considers it critical to support employer certainty in accessing incentives in the NSNL. As stated in our previous submission, such an approach will ensure that employers have sufficient certainty to make informed recruitment decisions.

It is not clear why such an option would exclude AISS Payments. The Chamber recommends that this option is extended to the AISS Payment.

## **Prioritising economic and social benefit**

It is important to differentiate at this point between base incentives and additional (top-up) incentives. The Chamber firmly believes that base incentives should remain constant across all apprenticeships and traineeships and strongly opposes the expansion of skills shortage methodology, or the NSNL, to influence the availability of base incentives.

Additional incentives – which can be determined according to NSNL methodology – can then be directed towards short-term need and provide the opportunity for a more targeted approach.

### **Future skills shortage**

The Chamber has no objections to the methodology being future focussed and excluding existing skills shortages, provided that the option of one-year grandfathering of incentives is introduced to support certainty.

### **Apprenticeship a significant pathway**

The Chamber supports the ability to add occupations to the NSNL by exception, which should be clearly defined in the final methodology.

### **Prioritising occupations**

The Chamber is concerned about the introduction of a shortage ranking system.

Such an approach indicates that the Department has in mind a certain number of occupations to be included on the NSNL rather than assessing each occupation on its merits following the forecasting methodology and consultation processes.

The Chamber strongly objects to this approach as it may result in a 'one-on, one-off' system whereby the inclusion of a new occupation on the NSNL results in the automatic removal of another occupation. This would not be supported. Budgets for incentives should be increased if required to ensure all occupations in deficit are able to access top-up incentives.

Further, the Chamber again objects to the eligibility requirement for the AISS Payment that an apprentice be additional to the employers "usual apprentice intake". Such an approach assumes that there is a 'usual intake'. Intakes can be affected by many factors – from prevailing economic conditions to the availability of suitable apprentices or trainees. Moreover, such an approach directly penalises those employers that have previously invested in training apprentices and trainees.

### **Occupational analysis**

The Chamber does not support the proposal for occupational analysis.

The review of occupations that have been on the NSNL for more than five of the last ten years contradicts the design principles of Transparency and Forward Looking. It also appears the review will be used as a mechanism to remove incentives from different occupations suffering long-term shortages.

Removing incentives from occupations that have had long-term shortages may have unforeseen deleterious effects on apprentice take-up. As discussed in our previous submission, incentive effects are widespread and significant, and can significantly

support increases in apprenticeship commencements. Should this proposal proceed, the Skills Commission must conduct broad industry consultation *prior* to commencement of the analysis.

## **Conclusion**

The Chamber reiterates its opposition to:

- expanding the role of the NSNL to determine base incentives for apprentices and trainees
- any reduction in the quantum or availability of incentives, given the critical need for more apprentices and trainees to address skills shortages.

The Chamber strongly recommends:

- the key points of clarification be addressed and the future methodology is reviewed, piloted and tested prior to implementation
- this testing should be concurrent to the consultation scheduled for February/March 2020 so that the results can be tested and considered during that process.