

12 July 2013

Mr David Elliot MP  
The Chair, Committee on Economic Development  
Parliament House  
Macquarie Street  
Sydney NSW 2000

*By email*

Dear Mr Elliot,

**Inquiry into skill shortages in NSW**

The NSW Business Chamber (the Chamber) welcomes the opportunity to contribute to the NSW Parliament's Legislative Assembly Committee on Economic Development inquiry into skill shortages in NSW.

As you may be aware, the Chamber is one of Australia's largest business support groups, with a direct membership of more than 14,000 businesses, providing services to over 30,000 businesses each year. Tracing its heritage back to the Sydney Chamber of Commerce established in 1825, 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.

The Chamber is a leading business solutions provider and advocacy group with strengths in workplace management, occupational health and safety, industrial relations, human resources, international trade and business performance consulting.

Operating throughout a network of offices in metropolitan and regional NSW, the Chamber represents the needs of business at a local, regional, State and Federal level, advocating on behalf of its members to create a better environment for industry.

In recent years, the Chamber has driven significant public policy debates in NSW. Our goal in doing so is to help create an economic environment that is supportive of productivity, economic development, investment and jobs.

NSW industry needs a skilled, flexible and motivated workforce that contributes to productivity gains and drives economic development. Ensuring that the available workforce has the skills and knowledge required to meet the needs of industry and employers is a significant issue for NSW.

The Chamber believes that addressing high levels of youth unemployment through more effective school to work transitional arrangements, increasing employment participation and driving productivity growth need to be a central focus of the NSW Government and the community, including business.

Employers expect better outcomes and continually look for products tailored to their needs. Knowledge-based industries continue to grow which is placing greater emphasis on the importance of higher education and the acquisition of higher level skills.

NSW Business Chamber  
incorporates

- Sydney Business Chamber
- Australian Business Limited Apprenticeships
- Australian Business Lawyers and Advisors
- Australian Business Consulting and Solution

NSW Business Chamber Limited  
140 Arthur Street  
North Sydney NSW 2060

ABN 63 000 014 504

Locked Bag 938  
North Sydney NSW 2059

DX 10541 North Sydney

t 13 26 96

f 1300 655 277

e navigation@  
nswbusinesschamber.com.au

Regional Offices ACT, Mid North Coast, Western Sydney, Northern Rivers, Hunter, Murray/Riverina, Illawarra, Southern Sydney, Northern Sydney, Central Coast

## The value and contribution of skilled migration into NSW

In its *NSW strategy for business migration & attracting international students*, the NSW Government recognised that migrants play an integral role in growing the State's economy and that skilled migration significantly benefits regional communities:

*"In economic terms, migration plays a critical role in supporting industry and boosting our productive capabilities. Migrants can provide many of the skills required to underpin growth in our economy, and in developing regional NSW, where the impact of skills shortages can be amplified due to smaller populations and dispersed settlement."*<sup>1</sup>

The Chamber also recognises the importance of immigration as a means of boosting economic development, alleviating skills shortages and strengthening international trade relationships. Skilled migration creates jobs for Australians by adding to economic growth and bringing in much needed skills and expertise.

The Chamber has consistently advocated for a skilled migration system that is flexible enough to respond to the changing short and longer term needs of industry, as skill and labour shortages emerge. The Chamber believes that to meet the needs of business and industry, and to enable NSW and Australia to compete with alternative migration destinations the immigration process needs to be simple, efficient and clear.

The Migration Council Australia has emphasised the importance of temporary skilled migration to the Australian economy:

*"Temporary skilled migration has become an automatic relief valve, cushioning the relationships between labour market needs and the time lag inherent to centrally planned permanent migration... The program helps to maintain Australia's international competitiveness and is critical to our aspirations to become a regional hub."*<sup>2</sup>

Skilled migration pathways, such as temporary pathways offered through the subclass 457 visa program, allow businesses to access overseas labour when domestic workers are not readily available. Requirements currently exist for employers to attest to their commitment to recruit locally before looking abroad and are committed to training more Australian workers.

The independent General Skilled Migration (GSM) pool is also a valuable source of skills for employers in NSW. The Chamber's latest Business Conditions Survey shows that of the 15.3% of businesses reporting that they have hired a skilled migrant some 62.3% of these employ from the independent GSM pool. This may be because the majority of Chamber members are small and medium sized enterprises who find it difficult to sponsor workers due to the cost and resources required.

It has been disappointing to see the recent politicisation of the subclass 457 visa program, which has resulted in recent changes to the legislation well in excess of the fine tuning that could have been constructively negotiated with industry. The introduction of enterprise level labour market testing, expanded sponsorship requirements and creation of wider Ministerial discretion are opposed as being an unnecessary regulatory burden.

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<sup>1</sup> NSW Government Trade & Investment (2012) *NSW strategy for business migration & attracting international students: supporting the State's economic development*. March 2012

<sup>2</sup> Migration Council Australia (2013). *More than temporary: Australia's 457 visa program*.

The Chamber supports the 457 scheme and has highlighted that Australian business does and should always look first to the domestic market for labour, and only use the 457 program to fill real gaps. Skilled migration, operating in combination with skills development of Australian workers and employment participation initiatives, is an important mechanism to help businesses overcome the challenge of securing a suitable workforce.

The Chamber acknowledges that there have been a handful of abuses of the 457 visa program and that those abuses need to be investigated and sanctions applied.

Recent public debates, however, have focused on “widespread rorting” of the 457 scheme, with some suggesting that there have been at least 10,000 cases of “rorts” by employers. This has been detrimental to constructive and evidence based analysis of the broader skilled migration program. The actual figures of non-compliance by DIAC report very few cases of abuse of 457 visas with 125 employers sanctioned in 2011/2012 with a further 449 employers formally warned and notified of areas of non-compliance. Out of close to 100,000 457 holders, this represents a very small percentage and it is not evidence of “widespread rorting”.

What has to be understood about the skilled migration and 457 visa issue is that it is not a purely Australian domestic issue. It plays out overseas, especially in Asia. It impacts on Australia’s reputation.

The Department of Immigration and Citizenship, through its March monthly report on 457 visa usage showed that 457 visas are working to fill labour needs as intended and had responded well to economic needs. Numbers of businesses seeking overseas workers has decreased as unemployment in Australia has increased. The increase in available domestic labour has reduced the need for imported skills demonstrating that the scheme has been operating as intended.

It is essential that governments remain committed to providing strong consultative mechanisms that engage key industry and business stakeholders to ensure a balanced migration intake that meets such needs with the flexibility to ensure timely responses to emerging skills shortages. Consultation is important for the development of Commonwealth skills lists and policy, and State nomination decisions. This is particularly so in regional areas, both in terms of certain visa categories and their application, and market salary rates. Such administrative restrictions do not provide regional businesses with the flexibility they require to address their labour needs.

Regional workforces have shrunk considerably in recent years due to migration of the regional workforce to major regional and metropolitan areas where, in the past, there has been greater opportunity for education and employment. Skilled migrants are often willing to locate in regional areas that are struggling to attract domestic labour and skills, and should be encouraged to do so.

The Chamber and the Australian Chamber of Commerce and Industry (ACCI) feel that a careful, considered approach, based on clear and substantiated evidence, is needed to ensure that we maintain the value and integrity of the Skilled Migration Program and don’t further harm our reputation overseas as a good destination to do business, work or learn.

Skilled migration is not, and should not be seen as, a panacea for skills shortages or a substitute for a robust domestic training effort. While skilled migration can deliver skilled labour for immediate or emerging shortages in relatively short time-frames, it can only complement domestic training arrangements, which must deliver the backbone of Australia’s skilled labour needs.

The skilled component of the migration program should complement other initiatives to meet skills shortages, such as training Australian school leavers and the expansion of the labour pool through training and retraining existing personnel to upgrade their skills and facilitate people returning to the workforce after early retirement, injury, unemployment or as recipients of welfare.

The Chamber maintains the following Commonwealth policy priorities for the skilled migration program:

- Reverse some of the more onerous elements of the new legislative changes for 457 visas, including removing the need for labour market testing at the enterprise level, and the civil sanctions relating to the employment of illegal workers, and implement programs based on sound policy around enterprise and regional migration agreements.
- Restore public confidence in the 457 visa program and skilled migration generally and promote the benefits that migration brings to the Australian economy and society.
- Ensure that the Skilled Occupations List process, used for General Skilled Migration, is more responsive to industry needs.
- Visa fees and arrangements should be internationally competitive given the globalisation of the labour market, and should encourage the freer flow of labour both in and out of Australia, with particular focus on improving the connections with Australia's Asian neighbours.
- Expand the Working Holiday Maker Scheme.
- Expand the Pacific Island/East Timor labour schemes.
- Amend the recent changes to the Migration Act in relation to civil penalties for illegal workers, and work with industry on an appropriate education and compliance response.
- Effectively implement Enterprise and Regional Migration Agreements and lower the threshold for Enterprise Migration Agreements.

### Skill shortages in NSW

As pointed out by the Department of Education Employment and Workplace Relations (DEEWR), skill shortages can coexist with relatively high levels of unemployment and sometimes shortages are restricted to experienced workers or those who have specialist skills. Shortages can result from a number of factors including low levels of training, high levels of wastage, changes in technology, increasing demand for new skills within an occupation and locational mismatch (where workers who have the skills are not in close proximity to the employers seeking those skills).<sup>3</sup>

The Standing Committee on State Development's *Inquiry into skill shortages in rural and regional NSW*<sup>4</sup> in 2006 reported on the economic impact of skills shortages. The report cites the following conditions created by skills shortages:

- A reduction in business activity
- Reductions in business size resulting in lower business turnover, trade and sustainability
- Escalating costs to the consumer
- A reduction in the working population and in the population as a whole

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<sup>3</sup> Australian Government Department of Education Employment and Workplace Relations (2012). *Skills shortages New South Wales*. December 2012.

<sup>4</sup> Standing Committee on State Development (2006) *Inquiry into skills shortages in Rural and Regional NSW*. Legislative Council NSW

- A reduction in core community services such as health and education services
- Losses in capital investment due to projects not being completed on time or on budget
- Poor perceptions of a region in terms of infrastructure and lifestyle.

And, the following summary of the economic costs of skill shortages in rural and regional areas:

- Loss of services and income in the community.
- Extended waiting times to see professionals, especially medical professionals.
- The inability to attract skilled workers. For example, a perceived lack of health services in a town can lead to other skilled professionals such as accountants and engineers declining employment opportunities in the town. This can have a compounding effect, leading to a wider loss of services, loss of income and inability to attract other services and residents to the community.
- The need to pay higher wages to retain staff, which may force some firms out of business.
- Poaching of staff within certain industries. Some organisations may not spend money on training up their own employees, but may choose to “poach” trained and skilled staff from other companies. This leads to animosity between sectors of the business community and a reluctance of businesses to train staff for fear of losing them once trained.
- Inability of skilled workers to take on projects, and delays in the finalisation of projects.
- Individuals having to travel to larger regional centres to access services, in the process taking money out of their own local community.<sup>5</sup>

According to the Chamber’s most recent Business Conditions Survey, skill shortages continue to be reported by NSW businesses.<sup>6</sup> Some 32.9% of NSW businesses have reported skill shortages, presenting little change from the 32.5% reported in December 2012.

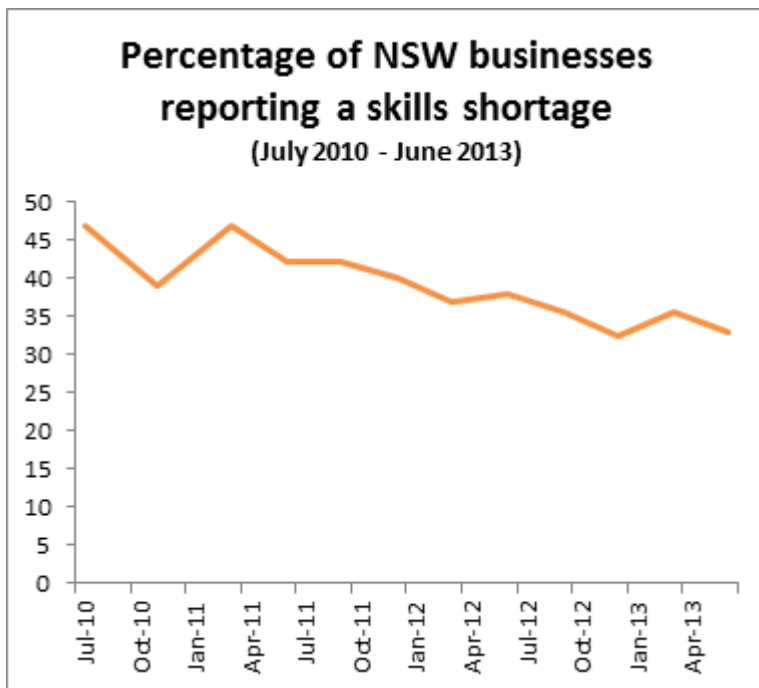
Figure 1 shows a slight downward trend observed in NSW since 2010. This appears to be consistent with national figures. DEEWR figures show that employers are finding it easier to recruit skilled workers and shortages are less widespread than they were in 2010-2011. Around 65% of skilled vacancies were filled in 2011-12 (up from 61% in 2010-11) and there were more suitable applicants per vacancy (1.9 on average compared with 1.5). There was a decline in the incidence of skill shortages in NSW in 2012 compared with 2011. In 2011, 69 per cent of the skilled occupations assessed by DEEWR were in shortage in NSW. In 2012 this proportion fell to 54 per cent.<sup>7</sup> It should be noted, however, that recruitment experiences vary widely across occupations and locations. The easing in the labour market has been driven by greater availability of professionals, with the labour market for trades (except construction trades) generally remaining relatively tight.

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<sup>5</sup> Standing Committee on State Development (2006) *Inquiry into skills shortages in Rural and Regional NSW*. Legislative Council NSW. Pages 34 and 35

<sup>6</sup> NSW Business Chamber (2013). *Business conditions*. Business Conditions Survey June 2013. It should be noted that a total of 987 businesses responded to the survey in September (with 407 businesses taking the time to answer the optional long answer skill shortage questions). Some 65.9% of businesses were from regional NSW. Responses came from a broad range of industry sectors with 16.7% retail trade; 11.2% professional, scientific and technical services; 11.6% manufacturing, 7.5% financial and insurance services; 8.5% accommodation and food services; 5.3% health care and social assistance; and, 5.6% IT media and telecommunications.

<sup>7</sup> Australian Government Department of Education Employment and Workplace Relations (2012). *Skills shortages New South Wales*. December 2012.



**Figure 1: Skills shortages reported by NSW Business Chamber members 2010-2013**

The Chamber's survey shows skills shortages are reported across major industry sectors. Those sectors reporting high levels of skill shortage pressures include health care and social assistance (51.2%), construction (50.0%), accommodation, food and beverage services (34.5%), manufacturing (29.8%), retail trade (28.5%) and professional, scientific and technical services (27.0%).

The industry sectors experiencing shortages identified in the Chamber's survey are consistent with many of the sectors listed by DEEWR in its 2012 NSW analysis.<sup>8</sup>

The recent DEEWR employment projection figures show that:

- Employment in Australia is projected to grow in 18 of the 19 broad ANZSIC industries over the next five years, with Agriculture, Forestry and Fishing the only industry projected to record a decline in employment.
- Health Care and Social Assistance is projected to make the largest contribution to employment growth (increasing by 177,800), followed by Retail Trade (109,100), Construction (100,200), and Accommodation and Food Services (66,800). Together, these four industries are projected to provide more than half the employment growth to November 2017.
- The industries projected to grow most strongly in percentage terms over the next five years are Health Care and Social Assistance (13.0 per cent), Construction (10.1 per cent), Arts and Recreation Services (10.0 per cent) and Retail Trade (8.9 per cent).<sup>9</sup>

The DEEWR five year projected change to November 2017 for NSW shows growth in Health Care and Social Assistance (56,200), Retail Trade (27,500), Accommodation and Food Services (22,900), Education and Training (16,100), Construction (14,400) and Professional,

<sup>8</sup> Australian Government Department of Education, Employment and Workplace Relations (2013) *Skill Shortage List New South Wales 2012*

<sup>9</sup> Australian Government Department of Education, Employment and Workplace Relations (2013). *Industry employment projections. 2013 report*

Scientific and Technical Services (13,300). There is significant variation in projections for occupations across regions within NSW.<sup>10</sup>

As part of our survey, the Chamber also asks respondents to identify specific skills and occupations in shortage. Attachment 1 includes a breakdown of occupations from a sample of quarterly surveys.

### Youth attainment and transitions

Over the past 20 years the demand for teenagers in the full time labour market has fallen substantially. The post-compulsory education and training system has failed to respond to this change, so there has been no significant increase in high school completion rates since 1992.<sup>11</sup> In addition, NSW continues to lag on key upper secondary level education and training indicators, including Year 12 retention, total education participation, VET participation and school-based apprentices and trainees.<sup>12</sup> This has a material impact on tertiary level VET participation and engagement with the training system.

During the Global Financial Crisis (GFC), the proportion of young people neither in education, employment nor training (NEET) in Australia rose sharply. The impact of the GFC in increasing the size of the 15-19 year-old NEET group was well above the OECD average, and among the largest in the OECD, despite the fact that the impact of the GFC itself upon the overall labour market was relatively mild. Most of the other countries that recorded large and negative increases in the size of the 15-19 year-old NEET group were countries where the overall impact of the GFC upon the labour market was severe. In other words the GFC had a disproportionately large and negative impact upon Australian 15-19 year-olds compared to other OECD countries. The impact of the GFC upon 20-24 year-olds was well below the OECD average, and towards the lower end of the OECD range.

This indicates that the transition problem is much greater for 15-19 year-old Australians than it is for 20-24 year-olds, and that the focus of transition policies needs to be larger and more sustained for the younger age group. Australian data on changes in educational participation over the period suggest that the basic cause of the problem is the relatively weak responsiveness and inelasticity of Australia's school system during the GFC. In turn this is largely because our secondary school participation and completion rates are at best average when compared to the OECD as a whole, and have failed to improve over an extended period, despite improvements elsewhere in the OECD.<sup>13</sup>

Youth disengagement from education, training and employment has significant economic and social costs, including a reduced capacity to meet the labour and skill needs of industry as well as marginal economic participation for individuals. Youth unemployment remains too high and more targeted interventions are required. To succeed, reform efforts cannot tackle just one piece of the puzzle but must instead be part of a comprehensive approach. Improvements to teacher quality need to be linked to curriculum reform and school management reform.

In order to improve labour market outcomes and educational participation and attainment for young people, NSW Business Chamber believes that senior secondary schooling provision can be improved to better meet the needs of young people who enter the labour market or vocational education and training after they leave school. The Chamber has

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<sup>10</sup> Ibid

<sup>11</sup> NSW Business Chamber (2010). *Could do better: a blueprint for a review of post year 10 education and training in NSW.*

<sup>12</sup> Ibid

<sup>13</sup> Sweet, R. (2011). *The impact of the GFC on the Australian youth labour market: OECD comparisons*



previously argued that improvements to teacher quality arrangements should be coupled with a broad ranging review of post-Year 10 education and training in NSW. Such a review should include consideration of the following issues:

- Strategies to expand the number and capacity of senior colleges
- Establishing a better balance between general education and VET
- Create clearer pathways from upper secondary-level vocational education to the VET sector's diploma and degree level courses
- Requirements for the achievement of minimum standards in literacy and numeracy
- Balance between compulsory and optional studies
- Requirements for career planning and personal development
- Development of an alternative certificate for those students that do not intend to enter university
- Adequacy of existing career information, advice and guidance for students
- Adequacy of funding arrangements across schools, TAFE and other VET providers and removal of disincentives for schools to provide VET options
- Implications for post-Year 10 education and training of future national school funding arrangements and of arrangements that may be put in place to replace the National Partnership on Youth Attainment and Transitions after 2013

Although an increasing number of young people are undertaking vocational training in schools, there needs to be a much stronger focus on improving quality and maximising the credit for vocational training at schools into the rest of the training system so that their expectations are met. This would include expansion of school based apprenticeships and improving the skills of trainers, quality of training and industry engagement between schools and their local employers. The significant investment in Trade Training Centres needs to be maximised by redirecting some of the Commonwealth spending on capital to the improvement of training quality and industry connection.

The NSW Auditor General has raised concerns about the capacity of existing school arrangements to support the increase of the school leaving age. The Auditor General pointed out that there is evidence that more students who remain at school until 17 years of age are disengaged.<sup>14</sup> The Chamber identified this risk in 2010 and argued that broader reform of the system was required to implement changes to support student engagement.

Solutions to skills shortage problems in NSW will require a focus on broader youth transition and attainment policy as well as the current focus on tertiary education and skilled migration. Developing the skills of the current and future Australian workforce, and ensuring that the right skills are in the right place at the right time is a critical challenge. Governments need to view the education and training system holistically, not just in four discrete silos of early childhood, schools, vocational education and training (VET), and higher education.

### Australian Apprenticeships

The continuing decline in apprenticeship and traineeship commencements<sup>15</sup> is a major concern for industry and represents future risk of skills shortage pressures across trade and non-trade occupations. Low completions rates and retention of apprentices remains a concern for industry also. The current policy emphasis on apprenticeships should be rebalanced to focus on commencements as well as completions, and re-establish the role

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<sup>14</sup> Audit Office of New South Wales (2012). *New South Wales Auditor-General's Report Performance Audit The impact of the raised school leaving age. Department of Education and Communities*

<sup>15</sup> National Centre for Vocational Education Research (2013). *Apprentices & trainees: early trend estimates*. March 2013 quarter.



that both trades and non-trades apprenticeships play in transitioning young people from school to work. This includes effective incentives for employers to offer opportunities for this valuable form of work-integrated learning.

While there are many factors influencing apprentice completion rates, quite often apprentice disengagement stems from the recruitment and induction period when a fundamental mismatch occurs between the expectations of one or both of the employer and apprentice. The NSW Government, in partnership with the Commonwealth, should focus more on this critical period of an apprenticeship in order to lift completion rates. Research by the NSW Board of Vocational Education and Training emphasises the importance of the initial recruitment phase of an apprenticeship.<sup>16</sup> The research identifies a number of strategies to improve retention and completion which are worthy of the Legislative Assembly Committee on Economic Development's consideration.

Competency based training progression approaches can be valuable to building the stock of the nation's skills where there is alignment with the needs of industry. The approach needs to be on a sector basis and agreed by the industrial parties.

The Chamber has previously called for an expanded support service role for Australian Apprenticeship Centres by building on the existing infrastructure to develop an industry driven one-stop-shop service, with a focus on recruitment, induction, retention, mentoring and advice services for young people. The Chamber welcomes the Australian Government's recent discussion paper that explores some of these options.<sup>17</sup>

## Career Development

Greater efficiency in the labour market can also be achieved through a strong emphasis on career development. The return on investment for government and enterprises in developing skills and investing in education and training can be limited if the individual is not appropriately matched to the chosen career path. Accessing the right information on the requirements of the occupation being considered and the potential job opportunities in the area is not just an important issue for school leavers, but is a lifelong requirement to assist people of thinking of changing career.

Take a holistic approach to career development, recognising the need for lifelong access to information and support, and creating greater connections between relevant programs across Federal and State/Territory jurisdictions.

The Chamber continues to raise concerns about the quality, consistency and industry relevance of career advice in schools. It is clear that young people need quality career information from industry experts and qualified career development practitioners. Career development and advice services in schools should be provided by an external independent provider with strong linkages and understanding of a range of career options and current industry demand.

## Workforce participation

With many industries experiencing significant skills shortages, it is crucial that the education and training system responds to the development needs of jobseekers and

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<sup>16</sup> Dickie, M., McDonald, R. & Pedic, F. (2011). *A fair deal: apprentices and their employers in NSW*. Integrated research report. NSW Board of Vocational Education and Training, November 2011.

<sup>17</sup> Australian Government. (2013) *Discussion paper: reforming support services for the Australian Apprenticeships system*. June 2013

employers with provision of specific skills that create pathways to employment. Lifting workforce participation levels will generate substantial benefits for the NSW economy. The Chamber has emphasised the importance of lifting workforce participation and embracing workforce diversity through its *Employ Outside the Box* initiative.

Assisting those most marginalised from the workforce to obtain and retain a suitable job is critically important to the social fabric of society, the financial and social wellbeing of the individual as well as of benefit to the enterprise and the economy. The ACCI and NSW Business Chamber *Employ Outside the Box* initiative promotes to enterprises the business case for employing job seekers who are from groups that traditionally find it difficult to participate in the workforce including unemployed youth, Indigenous Australians, people with disability and mature age job seekers. This educational approach is more effective than plans to introduce reporting and quotas on employers, as it emphasises the benefit without the unnecessary regulation.

In addition, the review of employment services for implementation in 2015 currently being conducted should aim to provide a more employer focussed approach, and a broader range of services connected to training and apprenticeship programs.

While labour market participation increases with education, policies that encourage lifelong learning can maintain labour market attachment in the event of a downturn or structural changes to the economy.

### Regionally specific skills and education audits

Measuring and accurately identifying skills shortages can be difficult and there is often confusion regarding the distinction between skills shortages and labour shortages. While labour market research and future projections are not perfect and will inevitably not solve all skills shortage problems. These approaches are nonetheless important and can go some way towards narrowing the gap between the supply of skills and labour market demand. The Chamber would support regionally based annual skills audits to assist with the development of local education and training solutions. Such audits could include the following steps:

1. **Industry analysis.** What industries operate from the region? What are the pockets of growth? To whom are industries supplying? What industries are growing and what are declining? Breakdown of industry activity. Issues affecting specific industry sectors.
2. **Identification of workforce development needs.** The skills and training needs, skills shortages and mismatches in labour supply and demand, skills gaps and the impact of technological developments on skills and training requirements. Current use of the Skilled Migration Program.
3. **Audit of current skills provision.** Including existing pre-vocational/pre-apprenticeship programs and school based arrangements, VET provision and higher education provision. Career advice services and other support services available.
4. **Recommendations for course design and delivery.** Partnerships between industry, RTOs and higher education providers. What should be the focus of training and the alignment with RTOs? How can we improve training delivery, and in particular, on-the-job competency? Engagement with RTOs to design specific training based on need and specific requirements
5. **Identify the capacity for innovation.** This is important when considering the future sustainability of regional economic activity.
6. **Workforce development strategy.** Use the findings for the formulation of a regionally specific industry workforce development plan.

## Higher Education

Reductions in funding for universities announced to pay for school education reforms is not consistent with looking at the education system and its outcomes holistically, and the capping of the tax deductibility of self-education expenses was not subject to any analysis of the impact of skills development, particularly at the higher skills levels. Over 2014, graduate outcomes of the uncapped demand driven system for higher education should be assessed. There should be a rebalance towards quality as against quantity if there any evidence of a poor match between courses being studied and labour market needs. The cap of deductibility of self-education expenses due to commence in 1 July 2014 should not be proceed, and any change should be subject to a detailed assessment of the impact on skills development and the economy generally.

The Australian Workforce and Productivity Agency (AWPA) predicts that the major employment growth industries will be in health care, professional, scientific and technical services and education and training<sup>18</sup> as well as for managers across every industry, all of which rely on extensive graduate and post graduate skills development. Of high relevance to the proposed cap, AWPA states that with strong demand in qualifications expected to exist in the years to 2025, supply will need to be monitored with it being “at risk from any changes in funding arrangements”.<sup>19</sup>

## Management and leadership skills

There continues to be a shortage of quality senior management and leadership capability in NSW. The links between effective management and leadership practices and innovation and productivity are well established.

On this subject, AWPA states: *“Workplaces with effective leaders and managers are generally more productive and innovative, and have better financial returns. Our modelling shows increasing demand for managers across all scenarios. It is important to ensure they have the skills to foster high-performing workplaces and better use of skills.”*<sup>20</sup>

The importance of management training has been a key focus of government policy for many years. Management training, including the popular MBA programs, provide valuable insights into the key factors that lead to high performing workplaces, delivering economic, productivity and social benefits.

Research shows that management focus can drive innovation in the economy and the efforts of Australian governments should explicitly incorporate support for management and leadership development into their productivity agendas.<sup>21</sup> This research by Professor Roy Green concludes that:

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<sup>18</sup> Australian Workforce and Productivity Agency (AWPA), (2013). *Future Focus: 2013 National Workforce Development Strategy*, Canberra: Commonwealth of Australia

<sup>19</sup> *Ibid*, page 42

<sup>20</sup> *Ibid*, page 11

<sup>21</sup> Green, R. (2009) *Management Matters in Australia: Just how productive are we?* Findings from the Australian management practices and productivity global benchmarking project. Report commissioned by the Australian Government Department of Innovation, Industry, Science and research.

- Focussing on management is paramount for Australian enterprises; firms need to develop a structured approach to improve their management capabilities across the whole of the enterprise.
- Family firms should invest in establishing strategic focus on management. Family-owned and family-managed firms consistently lag behind other public and privately owned firms in terms of their management performance.
- Autonomous management drives better management performance. Firms can benefit by introducing more flexibility in their management style, decentralising the decision-making processes and developing an empowered workforce, as this unleashes the creative potential and induces a greater sense of accountability amongst the employees, thereby leading to enhanced productivity performance of enterprises.
- Policies which continue to encourage the presence of multinationals will aid in lifting overall productivity performance in Australia.
- Enhancing labour market flexibility through a workplace relations system that balances flexibility and fairness, while encouraging innovative and collaborative activity, will enable firms to implement better management practices on a sustained basis.
- Investing in education and fostering skill development both in the managerial cadre as well as the general workforce in manufacturing firms is extremely important.<sup>22</sup>

### Training for existing workers

Investing in the skills of the existing NSW workforce is another important means of addressing skills gaps and future skills shortages. In the December 2012 NSW Business Chamber Business Conditions Survey, businesses identified a range of barriers to organising training for their staff. Businesses were asked to select up to three barriers.<sup>23</sup>

The most common barriers cited were cost (23.6%) and lack of time (23.1%). Some 12.3% of respondents indicated that the content available locally was not relevant to their business and 6.8% indicated that local content was not of suitable quality.

Businesses were also provided with an opportunity to suggest improvements to the training system. Of the 492 responses received, some of the common themes identified by respondents are listed below.

- Further progress is needed to address foundation and employability skills of young people; particularly work ethic, attitude, and communication.
- More flexible provision of training, especially outside of standard working hours (for theoretical courses).
- Improving levels of language, literacy and numeracy of the workforce, school leavers and jobseekers.
- Concern about TAFE's future ability to provide flexibility and adaptability to changing technology.
- Concern that the cost of training can be prohibitive for small businesses.
- A more strategic approach to skills and training provision, focusing on future requirements of the labour market whilst also recognising generic and transferable skills.

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<sup>22</sup> Green, R. (2009) *Management Matters in Australia: Just how productive are we?* Findings from the Australian management practices and productivity global benchmarking project. Report commissioned by the Australian Government Department of Innovation, Industry, Science and research.

<sup>23</sup> There were 2088 individual selections (from 972 employers who answered the question) across 16 identified barriers.

- Improved provision in regional and remote areas would be beneficial, particularly in regard to online training.

### Lifelong learning

Over time, there has been an increasing recognition by industry that skills development does not stop at the first qualification. Skills deepening, as well as skills broadening, are identified by AWPA as critical elements in Australia's workforce development. In 2011, of the 6.8 million employed people who had at least one qualification held a total of over 11 million qualifications.<sup>24</sup> AWPA's forecasts indicate that skills deepening will occur across all occupations, but will be expected to be strongest in the community and personal services workers. Establishing a culture of lifelong learning will create resilience and adaptability within the NSW workforce. This will strengthen the economy and help to alleviate future skill shortages.

### Additional resources

The Chamber also recommends that the Legislative Assembly Committee on Economic Development consider the AWPA's recent studies into sector specific skills needs. To date the Agency has completed studies covering defence industry skills, green and energy efficiency skills and information and communications technology industry skills. Progress is currently being made on a food and beverage workforce study, manufacturing skills, resources sector skills needs (updated annually) and retail skills.

If you have any questions in relation to the content of this submission, please contact Nick Minto, NSW Business Chamber's Senior Policy Adviser, [Nick.Minto@nswbc.com.au](mailto:Nick.Minto@nswbc.com.au), (02) 9458 7267.

Yours sincerely,



**Paul Orton**  
Director, Policy & Advocacy  
NSW Business Chamber

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<sup>24</sup> Australian Workforce and Productivity Agency (AWPA), (2013). *Future Focus: 2013 National Workforce Development Strategy*, Canberra: Commonwealth of Australia

**ATTACHMENT 1: Number of employers reporting skills shortages by occupation category.  
Sample results from NSW Business Chamber Business Conditions Surveys**

<b>Occupation category</b>	<b>March 2011</b>	<b>June 2011</b>	<b>September 2011</b>	<b>March 2013</b>	<b>June 2013</b>
Administration	16 (3.62%)	15 (3.21%)	12 (3.23%)	12 (3.6%)	17 (4.2%)
Accountants	17 (3.85%)	19 (4.06%)	15 (4.04%)	12 (3.6%)	19 (4.7%)
Health and community services	30 (6.79%)	35 (7.49%)	21 (5.06%)	29 (7.6%)	30 (7.4%)
Chefs/Cooks/Kitchen staff	20 (4.52%)	18 (3.85%)	24 (6.47%)	17 (4.5%)	29 (7.1%)
Engineers (Civil, mechanical, structural, electrical)	52 (11.76%)	36 (7.71%)	20 (5.39%)	16 (4.2%)	7 (1.7%)
Finance specialists	10 (2.26%)	10 (2.14%)	5 (1.35%)	11 (2.9%)	8 (2.0%)
ICT	25 (5.66%)	36 (7.71%)	24 (6.47%)	30 (7.9%)	31 (7.6%)
High level management skills (e.g. project managers and senior managers)	21 (4.75%)	21 (4.50%)	14 (3.77%)	16 (4.2%)	11 (2.7%)
Metal trades (welders, sheet metal workers, fabricators, boilermakers)	47 (10.60%)	47 (10.06%)	29 (7.82%)	11 (2.9%)	14 (3.4%)
Sales/Retail/Marketing	48 (10.86%)	56 (11.99%)	44 (11.86%)	55 (14.5%)	29 (7.1%)
Technicians (air conditioning, refrigeration, various)	19 (4.30%)	26 (5.57%)	24 (6.47%)	19 (5.0%)	20 (4.9%)
Traditional trades	83	84	66 (17.80%)	67 (17.6%)	51 (12.5%)

(Plumber, electrician, carpenter and joiner, panel beater, glazier, tiler, plasterer, mechanic)	(18.78%)	(17.99%)			
Transport workers	10 (2.26%)	10 (2.14%)	8 (2.16%)	9 (2.4%)	7 (1.7%)
Others	44 (9.95%)	54 (11.56%)	65 (17.52%)	76 (20.0%)	134 (33.0%)
<b>Total number of employer responses</b>	<b>442 (100%)</b>	<b>467 (100%)</b>	<b>371 (100%)</b>	<b>380 (100%)</b>	<b>407 (100%)</b>



## ATTACHMENT 2: Case study

### Murray-Riverina Employment, Education and Training Forum

In March 2011, NSW Business Chamber hosted the Murray-Riverina Employment, Education and Training Forum, held in Wagga Wagga. NSW Business Chamber hosted the forum in response to feedback received from local members expressing concerns about employment, education and training issues in the region, including concerns about the foundation and employability skill levels of young people, the lack of provision of certain tertiary programs and skills shortage pressures.

The forum was attended by 40 local stakeholders, including employers, Community Partnership Brokers, Registered Training Organisations, Australian Apprenticeship Centres, secondary school representatives, State Training Services and local government.

The roundtable forum generated considerable discussion and debate relating to employment, education and training issues in the Murray-Riverina region. A broad range of issues and solutions were identified. Attendees were particularly concerned about issues relating to:

- attraction of skilled workers and retention of young people in the region;
- strategic planning to respond to future workforce requirements;
- the quality, consistency and industry relevance of career advice in schools;
- awareness of employer obligation to Australian Apprentices;
- the promotion of local industry and associated career opportunities; and,
- the level of educational attainment in the region.

Participants identified a broad range of solutions to address these issues. Some of the solutions were:

- A comprehensive audit of existing workforce skills and aspirations, including sub-set audits to identify commonalities.
- Education of employers about the importance and benefits of workforce planning and enterprise based workforce development strategies.
- A regionally based workforce development strategy could be employed to clearly articulate future workforce development needs, outlining key education and training objectives and outcomes for the region.
- It was suggested during the Forum that future projections relating to education and training demand can be unreliable. Therefore, it was proposed that the region focus on the provision of generic skill sets that will enable transferability of skills and ensure young people can adapt to a range of occupations as the labour market requires. The provision of basic employability skills and work placements as part of tertiary course was also considered important.
- NSW Business Chamber's 10 Big Ideas to Grow the Murray-Riverina argues that the establishment of Centres of Excellence could highlight research and learning outcomes in various regional locations, for example, in food and wine production in Griffith. The establishment of Centres of Excellence can work to attract young people to the region who want to study in specialised areas.
- There is a need for greater resourcing for career advisors in schools, with dedicated resources for advisors that specialise in career advice and have a comprehensive knowledge of local industry and career opportunities. It was suggested that some of the best career advisors have psychology degrees, however it was difficult to recruit individuals with these additional skills.
- Career advice services would benefit greatly from stronger partnerships between schools, local businesses and industry associations.
- There is a need for more structured support for employers and their apprentices and trainees. This will involve greater levels of support and education for supervisors in the workplace. Industry or workplace champions and mentors should be identified.
- Identification of independent industry champions. Employer organisations/industry organisations could effectively disseminate information, promote relevant industry sectors and engage with the local community.
- Identify best practice in regionally based skill development strategies.
- There is opportunity to create stronger transitional pathways between vocational education providers and higher education providers in the region. Further collaboration between TAFE, private RTOs and university campuses in the region will be desirable.