

Review of Australian Apprenticeships National Skills Needs List – Methodology Discussion Paper

Submission to the Department of Employment, Skills, Small and Family Business

Introduction

The Australian Chamber of Commerce and Industry (ACCI) welcomes the opportunity to provide comment in response to the National Skills Needs List (NSNL) Methodology Discussion paper issued in December 2019. We sincerely appreciate that the Department has provided multiple opportunities to comment on the review of the NSNL. This submission recommends that there be greater clarity between the supported desire for an improved process for the identification of skills shortages and the specific application of skills shortages data to apprenticeship incentives. We urge the government to draw a more distinct line between these two objectives rather than focus on a specific methodology that relates to apprenticeship incentives. As it is currently outlined in the discussion paper, ACCI does not support the proposed methodology and approach.

Impact on Base Apprenticeship Incentive

In its last submission on the NSNL, ACCI set out a clear case that any assessment of skills shortage should not have an impact on base apprenticeship incentives. The methodology discussion paper addresses this issue directly on page 3 where it refers to a “misunderstanding” that a single approach would apply to eligibility for the full range of incentives, not just those currently targeted by the NSNL.

We wish to make it clear that it was not a “misunderstanding” but a genuine concern based on the unfortunate direction that VET funding has taken in the last decade or more. At both federal and state/territory level VET funding has become increasingly rationed based on assessed or perceived skills shortage. This approach has led to an overall decline in VET investment and uncertainty in the delivery of funding. This has not served VET and apprenticeships well. This funding approach is at odds with the way higher education is funded and creates uncertainty and inconsistency.

Once improved processes for identifying skills shortages are established, it is not unreasonable given this recent history for there to be a concern that the skills shortage analysis will spread to other apprenticeship incentives. The comment in the discussion paper is somewhat reassuring but a clear statement of policy intent that base incentives will not be impacted by assessment of skill shortages would be welcome.

Single approach to identifying skill shortages

ACCI's support in our previous submission for a "single coherent approach to identifying occupational skills shortages" (principle 1) was based on the strong desire for there to be a coming together of the various processes of identifying skill shortages (outlined in detail in our previous submission) within what is now the one department. ACCI was not supporting a single source of evidence. From the summary of the feedback received, it would appear that not everyone was looking at what was proposed in the same way, which is why, most likely, there was a larger voice of concern about a "single approach" than for the other principles.

It is critically important that the approach taken to identifying skill shortages is based on a range of evidence not the least of which is industry intelligence and direct consultation. The quantitative five-year skills forecast model outlined on page 11 is a start but is not sufficient as the discussion paper itself recognises. The broad range of evidence sources used by other processes within the department may also be useful in improving the assessment of which skilled occupations are in national shortage.

Prioritising economic and social benefit

As stated in our last submission, an assessment of economic and social benefit should not be part of a list about skill shortages. This is in line with our belief that there needs to be a single process (based on multiple sources of evidence) of identifying national skills shortages to be used across a range of policy areas.

A national skills shortages list, which is a more apt term for this context than skill needs¹, should be just that. It should not add social and economic dimensions and definitely should not include criteria such as whether the skills require apprenticeships as a primary pathway.

The methodology in the discussion paper confuses or conflates the determination of a skills shortages list with what it is used for. This is because the methodology proposed introduces elements that are specific to apprenticeships. A skills shortages list should not do that.

For absolute clarity, it is our position that:

There be a single approach within Government to identifying skills in shortage based on a range of evidence including industry intelligence and consultation. It should be forward looking. This should be called the National Skills Shortage List, replacing the NSNL and the other lists that the department develops which have a similar name.

Once that list is determined, the adaptation required to apply it to particular uses (including for some of the apprenticeship additional incentives and migration) is then undertaken if necessary.

Single Methodology for NSNL, AISS, TSL

The discussion paper proposes a single coherent methodology for the NSNL, AISS payment, priority occupations and trade support loans. ACCI does not support this. As stated in the previous paper, in most of the cases where the NSNL is currently used, the appropriate substitute is for the incentives to be applicable to all trade apprenticeships. The justification for incentives such as trade support loans and adult apprentice additional incentives does not relate to an assessment of skill shortages.

¹ See our previous NSNL submission where we set out the case that skill needs can exist in any industry, in a particular location at any point in time, and do not necessarily show up in a national analysis

If the government wishes to encourage apprenticeships in occupations in shortage then the NSSL should be used, and incentives offered, regardless of whether the occupation has an apprenticeship-only pathway provided that there is a traineeship or apprenticeship pathway connected to occupations assessed as experiencing a skills shortage. As stated strongly in our previous submission, apprenticeships and traineeships are successful mechanisms to develop highly productivity skilled workers regardless of the occupation, and their eligibility for incentives should be based on that success.

Proposed treatment of occupations in long term shortage

The proposed treatment of occupations that have been on the NSNL for more than five of the last 10 years is a good illustration of the confusion created by conflating the role of a list of skills in shortage and the specific purpose of the use of the list for apprenticeships. A skills shortages list proposed to retain its title of National Skills Needs List without occupations on it that have been in long term shortage is an absurdity. The National Skills Shortages List (our recommended approach) should not be altered for any reason other than the evidence that has determined that an occupation is now or no longer experiencing a skills shortage. The list should usefully be graded according to the severity of the shortage, but no other criteria should be applied to the list.

An additional concern with the proposed approach for removing incentives from occupations that have had long-term shortages is the extra uncertainty it would create.

Summary

There should be a single approach to identifying skills in shortage based on a range of evidence including industry intelligence and consultation. It should be forward looking. This should be called the National Skills Shortage List (NSSL), replacing the NSNL and the other lists that the department uses which have a similar name.

Apprenticeship incentives such as trade support loans and for aged based apprenticeships should not be assessed according to skills shortage but be available to all trade apprenticeships. For AISS and any future incentives that seek to improve the business case for taking on an apprentice or trainee in areas of national skills shortage, a renamed and vastly improved NSSL should provide the basis. No other criteria, such as social or economic benefit or whether apprenticeships is the main pathway should be reflected in the NSSL.

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