

# Jobs and Skills Australia

## Submission to the Senate Standing Committee on Education and Employment

August 2022



**BCA**

Business Council of Australia

## Contents

1.	<b>About this submission</b> .....	2
2.	<b>Key recommendations</b> .....	2
3.	<b>Overview</b> .....	2
4.	<b>Context – acute workforce shortages</b> .....	3
5.	<b>Establishing JSA as a priority</b> .....	3
6.	<b>Initial functions and focus</b> .....	4
7.	<b>JSA’s ongoing role</b> .....	4



# 1. About this submission

This is the Business Council of Australia's submission to the Senate Education and Employment Legislation Committee inquiry into the Jobs and Skills Australia Bill 2022 [Provisions] and the Jobs and Skills Australia (National Skills Commissioner Repeal) Bill 2022 [Provisions].

# 2. Key recommendations

The Business Council recommends:

1. Jobs and Skills Australia be established as a priority with an interim Director and initial responsibilities, consistent with the legislation before the Parliament. This will allow it to play a lead role in mapping out and meeting Australia's urgent skills and workforce needs while consultations continue on the ongoing role and governance arrangements for the agency.
  - a. Jobs and Skills Australia can build on the foundation laid by the National Skills Commission and its inaugural Commissioner, Mr Adam Boyton, including the Australian Skills Classification, the State of Australia's Skills Report, and annual 5-year Employment Projections.
2. The Australian Government should proceed with its plan to consult closely with industry, unions, state governments, and other stakeholders on the ongoing form and functions of Jobs and Skills Australia, to achieve consensus on an enduring, independent tripartite model that can be reflected in a second tranche of legislation.
3. Early priorities for the agency should include: providing advice on priorities for the Australian Government's commitment of 465,000 fee-free TAFE places; targeting subsidies for apprenticeships (and other on-the-job training); and workforce capacity studies for key sectors such as aged care.
  - a. JSA should also support Federal and State Governments in their current efforts to negotiate and implement an ambitious new National Skills Agreement, and support the transition to new industry engagement arrangements in the VET system, including by working cooperatively with the new Industry Skills Clusters.
4. Once fully established, Jobs and Skills Australia should develop an expansive, detailed picture of Australia's skills and labour market needs, and advise governments on how vocational education and training (VET), higher education, industry-led skilling initiatives and migration can combine to meet future demand, provide opportunities for Australians, and drive our current and emerging industries.

# 3. Overview

The Business Council welcomes the Australian Government's commitment to invest more in education and training. To achieve the best outcomes, it is critical that policies and resources are properly coordinated and well targeted. That's why we support the government's plan to establish Jobs and Skills Australia (JSA) to help map out Australia's current and future workforce needs, and ensure our skills, education and migration system is well-placed to meet the challenge and provide employment opportunities for all Australians.

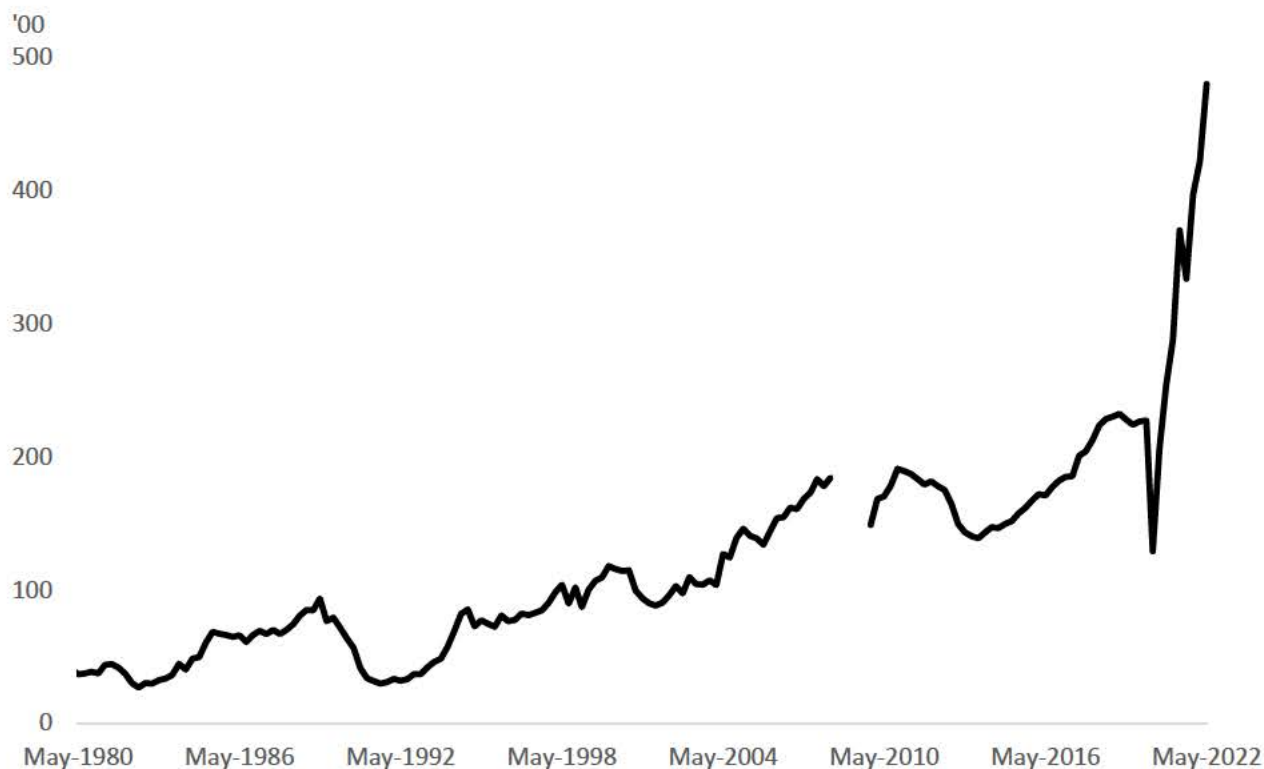
The legislation to establish JSA in interim form was among the first Bills introduced into the Parliament following the Government's election. As noted at the time by the Minister for Skills and Training, the Hon Brendan O'Connor MP, this reflects the priority the government places on standing up JSA to help tackle acute skills and labour shortages that are impacting all parts of the Australian economy.

The Business Council strongly supports the level of priority the Government has placed on establishing JSA, and a two-stage approach to legislation that allows JSA to operate with an interim director and initial responsibilities while consultations are held on its ongoing form and functions.

## 4. Context – acute workforce shortages

The immediate need for JSA is clear. Job vacancies have shot up to record highs as Australia has emerged from COVID-19 lockdowns and two years with our international border largely closed. In May 2022, there were over 480,000 job vacancies across Australia (Figure 1), which is more than double the level pre-pandemic.<sup>1</sup> Australia is experiencing one of the worst labour shortages in the OECD.<sup>2</sup>

Figure 1 – Job vacancies



With the unemployment rate falling to a fifty-year low of 3.4 per cent in July 2022, there are now fewer unemployed people than there are vacant jobs to fill. This presents a significant challenge for employers large and small, many of whom are struggling to operate as normal due to the scarcity of suitably skilled candidates. We can't let workforce shortages like these hold back Australia's economy as we recover from the covid-19 pandemic.

For unemployed and underemployed Australians, a tight labour market presents clear opportunities, but only if we can get the right connections and incentives in place and bridge the skills divide. For instance, the National Skills Commission (NSC) suggests that 90 per cent of the 1.2 million new jobs created out to 2026 will require a post-school qualification, with half requiring a bachelor's degree or higher, and the remaining 40 per cent typically needing a VET qualification.<sup>3</sup> However, 56 per cent of unemployed Australians have no post-school qualifications.<sup>4</sup>

## 5. Establishing JSA as a priority

Its insights such as this from the NSC that have made it an influential source of expertise for governments and industry since its establishment in July 2020. In taking over from the NSC and replacing the National Skills Commissioner, JSA needs to build on this foundation and ensure that the NSC's good work is not eroded, including through a drawn-out handover. That's why it is critical the legislation to establish JSA is progressed as a priority, and that a high calibre individual is appointed as interim JSA Director as soon as possible to manage the transition during a period of significant upheaval and uncertainty in the labour market.

<sup>1</sup> ABS. 2022. *Job Vacancies, Australia – May 2022*.

<sup>2</sup> OECD. 2022. *Economic Outlook – June 2022*.

<sup>3</sup> National Skills Commission. 2022. *Employment Outlook (five years to November 2026)*. See Figure 1 at Appendix

<sup>4</sup> Workforce Australia. 2022. *National Workforce Strategy 2022-2027*.

Establishing JSA quickly with an interim Director and initial functions will allow it to undertake important work in coming months while leaving time for genuine consultations on JSA's ongoing scope and governance arrangements. The Federal Government has committed that JSA will be an independent, statutory agency with tripartite representation from state governments, industry and unions, along with other stakeholders (e.g. education and training providers). This representation is fundamental to its success, given that all parties have a stake in a well-functioning education, training and employment system, and noting the joint or split responsibilities in areas such as VET.

The Jobs and Skills Summit presents an opportunity for governments, industry, unions and others to outline their shared vision for JSA in its permanent form, and to line up on a consensus wherever possible. Consultations will need to extend beyond the Summit, so establishing JSA in the interim will help ensure we get its longer-term settings right and secure broad support for these in a second tranche of legislation.

## 6. Initial functions and focus

The initial functions set out for JSA in Clause 9 of the Jobs and Skills Australia Bill 2022 ('the JSA Bill') reflect important roles and responsibilities for the agency to take on. These functions include providing advice on:

- the state of Australia's labour market and workforce needs, including employment opportunities;
- current, emerging and future priorities for skills and training, including apprenticeships;
- the adequacy and performance of Australia's VET system, including analysing data on learner outcomes;

One early priority should be to provide advice to inform the prioritisation of the 465,000 fee-free TAFE places that the government has committed to deliver. A focus on apprenticeships is also warranted, especially if Australia is going to maintain and build on recent increases in the number of apprentices and trainees in-training, and translate the boost in new commencements into a sustained uplift in completions. Policy changes outlined in the 2022-23 Budget will significantly limit support for apprenticeships and traineeships in many fields from mid-2024, including in-demand traineeships in areas like retail and IT with high completion rates and good employment outcomes.

A reappraisal of these changes in 2023 would be timely, particularly in light of continuing volatility in the labour market. JSA's review should ideally consider the targeting of support across all forms of on-the-job training, including apprenticeships, traineeships, cadetships, and advanced apprenticeships that span higher education and VET. Clause 10 of the JSA Bill requires that the agency consult with industry and other stakeholders as appropriate to inform its advice, and this engagement will be critical to its ongoing success in this and other areas of responsibility. One key channel for this engagement should be via connections with the new Industry Skills Clusters that are being established as part of reforms to industry engagement arrangements in the VET system, but this shouldn't be the only form of consultation.

In addition to the advisory roles outlined above, the JSA Bill outlines several other key functions, including preparing workforce capacity studies and forecasts and undertaking research and analysis on the resourcing needs of registered training organisations (RTOs). Each of these functions will be vital in the period ahead. Workforce capacity studies and forecasts can help governments and industry plan for future skills needs in priority sectors as diverse as aged care, cyber security or defence shipbuilding. Meanwhile, analysis of the resourcing requirements of RTOs will assist federal and state governments to allocate funding appropriately under a new National Skills Agreement, with better visibility of the efficient cost of delivering high quality training.

JSA is also explicitly tasked with publishing data and analysis to inform decision-making and policy changes in government, industry and elsewhere. This function is important. Transparency and promotion of JSA's advice and data will help support its independence, build trust from stakeholders, and greatly expand its influence, including by supporting industry to undertake its own workforce plans, and assisting individuals to make informed career choices.

## 7. JSA's ongoing role

While JSA's initial focus is weighted towards VET, in its ongoing form it is essential that it consider the skills needs of Australia's current and future workforce without restricting its analysis to any single part of the broader education and skills system. Instead, it should start with a focus on the skills needs of learners and employers, and then consider the respective roles of VET, higher education, industry-led training and migration as complimentary channels to meet future demand. In this way, JSA can take a holistic view, and play a coordinating role in Australia's skills ecosystem.

**BUSINESS COUNCIL OF AUSTRALIA**

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