

# Skills Australia

## Industry Skills Councils – Report on Facilitation of Forums

16 September 2008



THINKING

DOING

LEADING



# Contents

1	Executive Summary .....	3
2	Introduction .....	7
	2.1 Structure of this document .....	8
	2.2 A note on terminology .....	9
3	Understanding the broader context of the skills challenge.....	10
	3.1 A framework for understanding the skills challenge.....	10
	3.1.1 Skills and training .....	12
4	Key findings from the Forums .....	14
	4.1 The allocation of the PPP places.....	14
	4.2 Dimensions of current skills shortages .....	15
	4.3 Reasons for the identified skills shortages.....	16
	4.3.1 External factors .....	16
	4.3.2 Nature of the industry and work.....	16
	4.3.3 Other .....	17
	4.3.4 Workforce issues.....	17
	4.4 Consequences of the identified skills shortages .....	18
	4.5 Industry’s response to the identified skills shortages .....	19
	4.6 Government’s response to the identified skills shortages .....	19
5	The path forwards .....	21
	5.1 System .....	21
	5.1.1 Australian Government.....	21
	5.1.2 Skills Australia.....	22
	5.2 Industry .....	25
	5.3 Framework for understanding skills and training needs .....	27
	5.4 Need for trainers .....	27
Appendix A	Forum questions .....	29



# 1 Executive Summary

More than a decade of sustained economic growth and an ageing population have led to growing labour and skills shortages in the Australian economy. Responding to these shortages is a key objective of the Rudd Government. A successful response is essential to maximising the productive capacity of the economy and achieving sustained increases in living standards.

The provision of 630,000 additional training places under the Productivity Places Program (PPP) is a key element of the Australian Government's response. To gain expert insights on the allocation of PPP places, Skills Australia convened forums with ten of the eleven Industry Skills Councils (ISCs).<sup>1</sup> The forums covered five broad areas:

- the dimension of current skills shortages
- the reasons for the skills shortages identified
- the consequences for enterprises in the industry from the skills shortages identified
- industry's response to the skills shortages identified and suggestions for future action (especially concerning training)
- the role governments play in overcoming the shortages identified (especially concerning training).

The key findings of the forums were:

1. There is significant goodwill across the ISCs to the establishment of Skills Australia and ISCs are looking forward to working with Skills Australia to help address the skills challenges identified.
2. A broad perspective must be taken in understanding the nature of the skills challenges industry faces. The response to those challenges must also be considered in the context of the variety of factors that influence an enterprise and industry's development.
3. There are substantial challenges to industry providing quantitative advice to the Australian Government on the appropriate allocation of the current round of PPP places for 1 January 2009.
4. Some forums provided comments on the list of priority occupations and indicated relative priorities within those lists. However, there are limits to the value of the information in view of the gaps in representation at the forums and the body of advice provided from the forums collectively.
5. The present framework for understanding skills shortages, the Australian Standard Classification of Occupations (ASCO) codes, has a number of serious limitations and creates difficulties for industry in communicating the extent of skills shortages.
6. The overwhelming majority of industries and sectors in the economy face a combination of labour shortages, i.e. a general shortage of workers, skills shortages and skills gaps. Such shortages are particularly pronounced in Western Australia and the Northern Territory, and across a number of rural and regional areas in Australia.

---

<sup>1</sup> A telephone interview was held with the CEO of the Community Services and Health ISC.



7. Skill requirements across most occupations are significantly broader than in the past. This reflects a combination of factors, including: technological advances; occupational health and safety requirements; and, more recently, requirements for more sustainable production processes.
8. There is an acute shortage of experienced and qualified trainers and assessors. If unaddressed, this shortage will increase in coming years as much of the existing workforce enters retirement.
9. Failing to address certain skill shortages has the potential to threaten community health and safety; addressing other shortages is crucial to the efficient functioning of the economy.
10. Industry representatives reported that the existing training system is not meeting its needs. This could be better met by focussing on skills sets rather than qualifications in some industries. There is also a definite need to decrease the complexity of the existing system and aim for greater flexibility.
11. Responses to skills shortages and labour shortages have previously been ad hoc and fragmented. There is a need for longer term workforce development planning across industries and more broadly which integrate business planning, recruitment and skills development plans.

On the basis of the key findings of the forum the paper provides some discussion on the potential path forward for Skills Australia. The following recommendations are presented:

#### **Australian Government**

1. That the Australian Government take urgent action to standardise across Australia any legislative and regulatory arrangements which impact on skills development to remove any deterrents to quality recognised training.
2. That the Australian Government take a leading role in showcasing a commitment to increasing workforce skills in Australia by:
  - ensuring it is consistently providing leading edge skill development opportunities across all its agencies
  - including skills development requirements in government contracted services and allowing for the resulting additional costs
  - reporting publicly and regularly on its own efforts to skill its workforce and the impact on skills development of its contracting arrangements
3. That the Australian Government review funding arrangements for Skilling Australia For The Future (SAFTF) initiatives to ensure:
  - the flexibility required for a system which is responsive to industry needs
  - The maintenance of the quality and portability of skills.



4. That the Australian Government establishes a long-term integrated program of activities to implement SAFTF with associated funding. Arrangements should include continuous improvement mechanisms to review and adjust the programs.
5. That the Australian Government initiate discussions with the key stakeholders to reach a constructive approach to the issue characterised as skills sets or full qualifications.
6. That the Australian Government take a leading role in developing an approach to ensure sufficient interest in, and appropriately skilled staff for, the critical occupations which are essential to Australian society.
7. That the Australian Government review Recognition of Prior Learning (RPL) arrangements to ensure they are industry-friendly and cost effective.
8. That the Australian Government consult with industry about migration in relation to skills shortages.

### **Skills Australia**

1. That Skills Australia develop an industry engagement strategy, approach and program of activities. The approach should ensure widespread industry participation across sectors and regions with an emphasis on participation from enterprises to complement the views of representative organisations.
2. That Skills Australia clarify the roles of the key bodies essential to the SAFTF initiatives. These will include the ISCs, State ITABs, State Training Authorities and other industry networks.
3. That Skills Australia, following clarification of the role of the ISCs, work with the ISCs to establish shared priorities and common approaches which clarify expectations, processes and timetables. This could start with a workshop involving ISC Chairs, ISC CEOs and Skills Australia.
4. That Skills Australia promote and facilitate workforce development planning and strategies for industries and enterprises.

### **Industry**

1. That Skills Australia work with industry bodies and ISCs to develop a strategy and implementation plan to promote a cultural change in industry aimed at active industry involvement in the many aspects of SAFTF initiatives.
2. That Skills Australia initiate consultations with industry about the potential and limitations of industry participation in SAFTF initiatives with particular attention on SMEs.



### **Framework for understanding skills and training needs**

1. That Skills Australia initiate discussions with industry representatives, ISCs, State Training Authorities, DEEWR and the Australian Bureau of Statistics to establish occupation categories to be used in relation to developing skills and the identification of skills shortages.
2. That Skills Australia initiate discussions with industry representatives, ISCs, State Training Authorities and DEEWR to identify any limitations of the current ISC industry configuration and solutions to overcome them.

### **Need for trainers**

1. That Skills Australia initiate discussions with industry representatives, ISCs, State Training Authorities, DEEWR and RTOs about the shortage of trainers. The purpose will be to develop a strategy and implementation plan to expand the availability of trainers across all industries and within enterprises.

The Nous Group appreciates the contributions of the ISCs, the members who attended the forums and Skills Australia in preparing this report.



## 2 Introduction

After close to two decades of continued economic growth and with a rapidly ageing population, the Australian economy has started to experience substantial shortages of labour and skills. Responding to this challenge is a key objective of the Rudd Government.

A successful response to the skill needs Australia faces is essential to maintaining continued economic growth and rising living standards. As part of its response, the Rudd Government legislated for the establishment of *Skills Australia*, an independent statutory body, to provide advice on current and future demand for skills and investment of public funds in training.

As part of its Skilling Australia for the Future (SAFTF) policy, the Australian Government established the *Productivity Places Program* (PPP). The PPP, which will provide 630,000 additional training places over five years, is designed to provide new training places in skills employers and individuals want.

To ensure the provision of expert industry knowledge in the allocation of the PPP places, Skills Australia convened forums with the ten Industry Skills Councils (ISCs), covering:

- Agri-Food
- Construction and Property Services
- EE-Oz Training<sup>2</sup>
- ForestWorks
- Government Skills
- Innovation and Business Skills
- Manufacturing Works
- Service Skills
- SkillsDMC<sup>3</sup>
- Transport and Logistics.

Between 18 August and 28 August a three hour forum was held with each ISC.<sup>4</sup> A telephone interview was held with the Community Services & Health Industry Skills Council CEO.<sup>5</sup>

Each forum covered a similar structure, examining:

- The dimension of current skills needs, i.e. in what occupations there are current and anticipated skills shortages and gaps

---

<sup>2</sup> This covers electricity, communications and energy utilities.

<sup>3</sup> This covers drilling, metalliferous mining, civil construction, coal mining and construction materials.

<sup>4</sup> The Nous Group facilitated each of the forums besides ForestWorks which was facilitated by the ISC CEO at their request.

<sup>5</sup> The Community Services and Health ISC had already provided their input for the allocation of the 50,000 vocational health training places. As such, it was agreed that at this stage there should be a conversation with the CEO of the ISC rather than convening another forum.



- The reasons for the skills needs identified, i.e. the factors that have led to the current and anticipated shortages and gaps in the occupations identified
- The consequences for enterprises in the industry from the occupation skills needs identified
- Industry's response to the skills needs identified and suggestions for future action (especially concerning training)
- The role governments can play in overcoming the needs identified (especially concerning training).

The discussion in each area considered a more detailed list of issues which are included in Appendix A. Participants were split up into smaller groups and considered the issues. In most forums the smaller groups were on a sector specific basis. The ForestWorks forum was run as an open plenary.

The attendees in each forum are attached to this document. In nearly all forums the bulk of attendees were representatives from Registered Training Organisations, State Training Authorities and other semi-government and government bodies with responsibilities for training. There was varied representation from employee and employer organisations. It was not always evident from the forums how much consultation ISCs had undertaken prior to the forums to obtain input from industry and enterprises. Participants believed there was an opportunity in the future to gain greater input from enterprises and employers to gain a more comprehensive understanding of the challenges faced and how industry was responding.

The points made in this document are based on forum attendees' comments. Each ISC covers a number of different and often diverse sectors. In some instances, attendees did not have sufficient knowledge to comment on the full breadth of an ISC's responsibility or across all states and territories.

## 2.1 Structure of this document

This document is structured as follows:

- Section two provides some contextual information. It identifies a common set of 'ingredients' that underpin skilling an employee and presents the skills challenge in a wider context
- Section three provides an overview of the key themes to emerge from the forums, considering:
  - a) the allocation of the PPP places
  - b) the dimension of current skills needs
  - c) the reasons for the skills needs identified
  - d) the consequences for enterprises in the industry from the skills needs identified
  - e) industry's response to the skills needs identified and suggestions for future action (especially concerning training)
  - f) the role governments play in overcoming the needs identified (especially concerning training).
- Appendix A contains the list of key questions considered in the forums.



Two companion documents provide:

- the notes taken during the Forums. It is structured along the same lines as Section three identifying the contributions of each forum.
- the list of PPP Priority Occupations and Qualifications for each ISC that was distributed in each forum.

## 2.2 A note on terminology

A discussion of skill needs or requirements can often be plagued by a lack of clarity regarding definitions. In this report the following definitions provided by Skills Australia have been used.<sup>6</sup>

Term	Definition
<b>Labour shortage</b>	A general shortage of workers for the industry, not just shortage in a particular skilled occupation.
<b>Skill shortage</b>	Exists when employers are unable to fill or have considerable difficulty in filling vacancies for an occupation, or specialised skill needs in the occupation, at current levels of remuneration and conditions of employment, and reasonably accessible location.
<b>Recruitment difficulty</b>	Occurs when employers have some difficulty filling vacancies for an occupation. There may be an adequate supply of skilled workers, but employers are still unable to attract and recruit sufficient suitable employees.
<b>Skill gaps</b>	Occur when existing employees lack the required qualifications, experience and/or specialised skills to meet the enterprise's skill needs for an occupation. Skill gaps may apply to new employees, where employers are unable to find suitable applicants for an occupation and recruit workers who need further training and/or experience to meet the enterprise's skill needs for the occupation.

---

<sup>6</sup> These definitions are taken from a document prepared by Skills Australia entitled Draft Template/Outline Of ISC Led Forums.



### 3 Understanding the broader context of the skills challenge

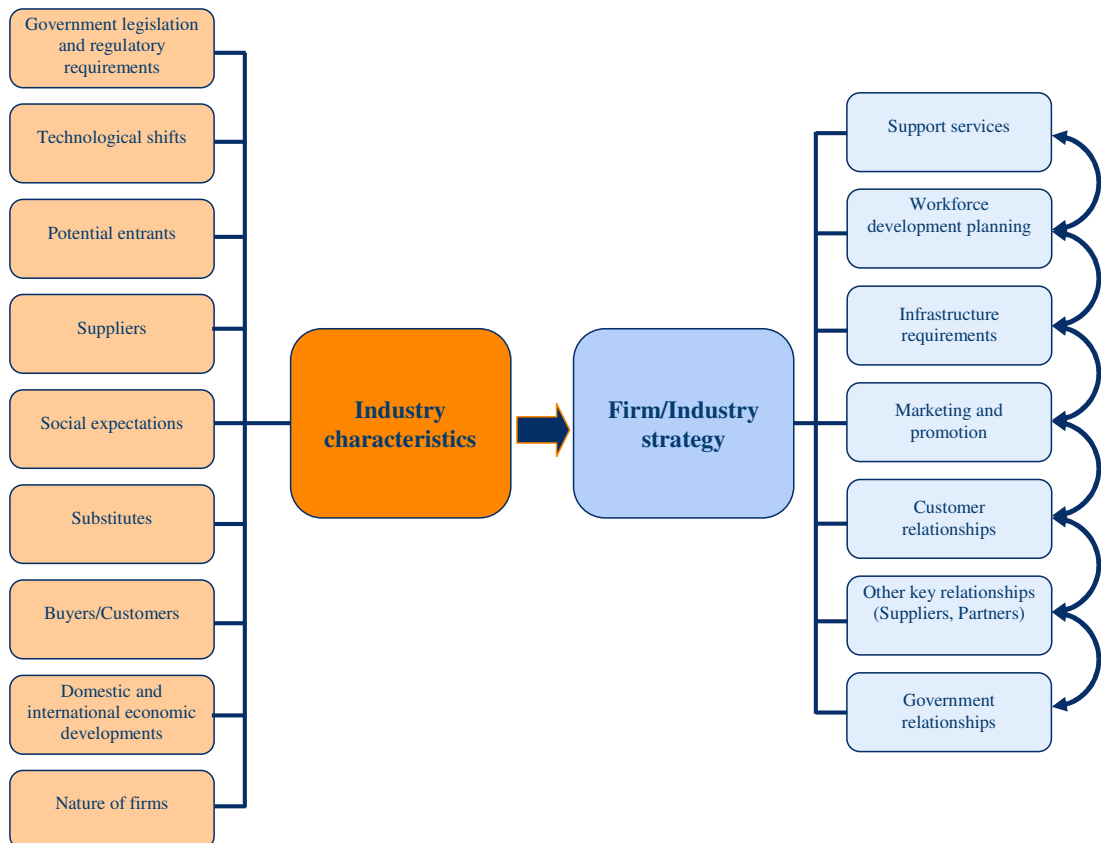
A key theme to emerge from the forums was the complexity of the issues involved in understanding the skills challenges industry faced. The forums also noted a range of issues that enterprises and industry had to address, alongside any specific action to address the direct skills challenge, if that response was to achieve its overall objective – increase the productive capacity of the Australian economy and boost living standards. To provide some context for such matters, this section provides a framework that is designed to help frame the comments made in the forums.

#### 3.1 A framework for understanding the skills challenge

A diagrammatical representation of the broad issues that emerged in the forums is presented in Figure 1. It presents a set of key *factors* that help determine an industry’s characteristics which, in turn, inform the enterprise and/or industry strategy. The diagram then posits a number of key *levers* crucial to delivering the strategy (with the arrows at the far right indicating the interdependence between the levers). **As related to delivering the strategy, these levers must be considered from a longer-term perspective. They serve to illustrate that delivering the strategy requires consideration of a range of important issues (and not just those that are urgent).**

The discussion underneath the diagram presents a brief overview of the components, focussing on issues most relevant to skills and training.

Figure 1 - A framework for considering the skills requirements





## Factors

- **Government Legislation and Regulatory Requirements** – Government policy has a substantial impact in setting the competitive environment in many industries. In terms of skills, governments mandate minimum skill requirements in a number of occupations and regulate industries through such mechanisms as licensing.
- **Technological shifts** – Changes in technology can have substantial implications for enterprise production processes and therefore the skills the workforce requires.
- **Potential entrants** – Although of less direct relevance to skills and training, high entry and exit in an industry may act as a disincentive for enterprises to invest in training if it reduces employees' attachment to a specific enterprise.
- **Suppliers** – While of less direct relevance to skills and training, processes used by downstream organisations have the potential to influence an enterprise's skills requirements. For example, the technical specifications of any equipment supplied will influence the skills required to operate that equipment as part of an enterprise's production processes.
- **Social Expectations** – Society's expectation for more sustainable production processes and a reduction in enterprises' carbon footprint, for example, has important implications for the types of skills industry needs.
- **Substitutes** – Similar to the scope for potential entrants, if a high degree of substitutable products means more career opportunities for workers and therefore less attachment to a specific enterprise, it may act as a disincentive for enterprises to invest in training. On the other hand, the threat of substitutes may force industry to develop higher quality products, increasing skill needs.
- **Buyers / Consumers** – Customers demands for good or services to have certain characteristics will have an important bearing on the level and types of skills industry needs.
- **Domestic and International Economic Development** – The strength of the domestic and international economies (for export orientated industries) will affect the capacity of enterprises to invest in training.
- **Nature of enterprises** – The size of enterprises in an industry has an important impact on their ability to engage with the formal training system. For example, SMEs may lack the financial resources, the time and/or the flexibility to allow their staff to attend formal off-the-job training.

## Levers

- **Support services** – For enterprises and industries in regional areas the lack of support services – especially concerning housing, child care and transport – can be an important barrier to attracting the skilled staff to achieve the firm's business strategy.
  - **Workforce Development Planning** – This is clearly central to considerations of skills shortages. It can be broken into two components:
    - a) **Attraction** – To recruit staff, enterprises and industries must be able to present compelling careers and a compelling career path to potential recruits.
    - b) **Skills and Training** – This was central to the considerations in the forums and is considered in detail below.
-



- This raises the importance of constructing workforce development plans that ideally are industry based. SkillsDMC is presently developing a workforce planning model for the coal sector, with plans to construct similar models for the other sectors it covers. Other ISCs are also moving down this path. Industry consultation and coordination is central to achieving the most beneficial outcome. The Australasian Railway Association has prepared a paper on future capability and skills development.
- **Infrastructure Requirements** – While of less direct relevance to the issues of skills, the provision of appropriate public infrastructure can be critical to an enterprise's success. This can be especially critical for industries in regional and remote areas such as agriculture, forestry and mining and industries that are growing rapidly, or are forecast too.
- **Marketing and Promotion** – While of less direct relevance to the issue of skills, understanding an enterprise's market and promoting to that market is a key element of delivery on a strategy.
- **Customer Relationships** – Developing relationships with customers is crucial to an enterprise's success, raising the importance of sales and relationship building skills.
- **Government Relations** – While of less direct relevance to the issues of skills, government policy can have an important bearing in many industries.
- **Other Key Relationships:**
  - a) **Suppliers** – As noted in the discussion of factors, processes used by supplier organisations have the potential to influence an enterprise's skills requirements.
  - b) **Partners** – The nature of any relationships with partner organisations can have important implications for the skills required in an individual enterprise and what might be outsourced.

### 3.1.1 Skills and training

The need for an appropriately skilled workforce is crucial to organisations delivering on their strategy. From the perspective of the enterprise or an industry, the multidimensional challenge involved in skilling a person for a role was neatly encapsulated by the ForestWorks ISC who identified the following 11 'ingredients':

1. skill standard (often called a Training Package)
2. assessment process and certification
3. trainers, assessors and facilitators
4. learning resources / knowledge
5. facilities, physical space and the relevant equipment and tools
6. learning opportunities and time
7. structured learning process
8. career options
9. efficient training demand
10. funding / budget
11. coordination between enterprises, training authorities and providers and governments.



All of these themes re-occur in the following discussion. They serve to reinforce the complexity involved and the need for a multi-dimensional and **industry-wide** response to skills needs. Enterprise-based responses are only one part of a successful solution.

In considering skills and training, it is also important to note that the individual's perspective is also crucial. Individuals must be able to see training will benefit them, in terms of career options (noted in the above list) and also pay and conditions.



## 4 Key findings from the Forums

### 4.1 The allocation of the PPP places

A key purpose of the forums was to obtain advice on the allocation of PPP places. The forums were able to provide very useful industry intelligence, yet **did not produce sufficient quantitative data to provide a basis for Skills Australia's use in advising the Australian Government on the appropriate allocation of the current round of PPP places to commence on 1 January 2009.**

The first session in each forum was designed to gain quantitative data and qualitative insights to assist with the allocation of the PPP places. In every forum participants noted a number of substantial challenges with providing quantitative data. The key points were:

- at the present junction the ISCs were unable to provide this data across the geographic and sectoral breadth of their industries
- in a large number of forums the knowledge of the participants at the forums did not encompass the geographic and sectoral breadth of the ISC's responsibilities
- some participants did have data on the extent of skills shortages; however, this was largely limited to some sectors and for specific states. Others indicated they would be guessing if they provided data
- in some cases, commercial sensitivity means enterprises are not prepared to release data on skills shortages (even if it is available)
- in the public sector, national security considerations mean that governments are not prepared to present skills shortages for a number of occupations in the public sector.

The relevant PPP Priority Occupations and Qualifications was distributed at each forum as a tool to assist gathering any available data. It is included as a companion to this document.

The upshot was that the data presented in the forums was largely anecdotal and piecemeal. It is not plausible to use such data, which have not been tested or verified more broadly, as the basis for allocating PPP places.

In all forums participants also raised a number of substantial difficulties with the present framework for understanding skills shortages. The challenges with the ASCO system for recording skills shortages make it difficult to communicate the dimensions of the skills shortages with government agencies. Some of the specific challenges raised were:

- a number of occupations are critical to a number of different industries (trades, such as electricians, are a good example)
- occupations that the industry readily identifies are not captured by the present system. For example, generator operators in the gas industry
- the speed of adjusting classifications lags behind the pace of change in industry
- multiple job roles are often aggregated into a single occupation making identification of the specific requirements extremely difficult



- some skills covered by an ISC are ‘enabling’ skills that cut across a number of industries making classification in a particular occupation unviable (business services is a prime example).

With the difficulties obtaining quantitative data, in the first session of the forums participants were pressed to provide a list of the most critical occupations that were experiencing skills shortages. The responses in this context are recorded in the companion document. Despite a handout directing participants to comment on such matters and repeated pressing from the facilitator, the critical skills shortages were not identified in all sectors and industries.

Furthermore, as noted above, the participants at the forums did not always encompass the geographic and sectoral breadth of the ISC’s responsibilities and there was typically a lack of input from enterprises to validate the comments made.

## 4.2 Dimensions of current skills shortages

A clear finding of the forums was that the overwhelming majority of industries and sectors in the economy face a combination of labour shortages, i.e. a general shortage of workers for the industry, skills shortages and skills gaps. While the ISCs cover a wide variety of activity, some common skill requirements emerged across industries, including: frontline management; occupational health and safety (OH&S); project management; supervisors; and trainers.<sup>7</sup>

Across the forums, some of the key themes to emerge were:

1. **Finding skilled staff to fill certain positions in an enterprise can be crucial, even though the absolute size of the shortage might not be significant** – In a number of industries filling some specific skill shortages was mandatory if an enterprise was to continue operating (and not just scale back the size of its operations), even though the absolute number of people required might not be significant. For example, certain specialised skills are essential if coal mines can get deeper to extract more coal. In textiles the same materials are now being combined with other materials for very different purposes through very different manufacturing processes.
2. **Taking a longer term perspective, recruiting sufficient entry level staff remains critical.** The failure to recruit sufficient entry level staff is a harbinger of future skills shortages. For example, the entry-level technical drillers of today are the supervisors and managers of tomorrow, without which enterprises cannot operate.
3. **The allocation of training places and the training system is biased to existing occupations which exacerbates skills shortages.** Changing occupational roles is a key feature of most industries. As such, focussing data collection on existing occupations may bias funding and training places away from new and critical occupations experiencing shortages. This highlights a need to forecast emerging occupations and raises the importance of workforce planning.
4. **Labour shortages are particularly pronounced in certain regions.** Across a number of industries there is a substantial shortage of labour in Western Australia (driven in large part

---

<sup>7</sup> In the context of the comments made above, it is useful to note that these skills are not fully picked up in the PPP occupation lists across the breadth of the ISCs – generic frontline management is not captured in any ISC list; OH&S is picked up only in Innovation & Business Skills and Government Skills lists; project management is not captured in any ISC list; supervisors are only noted in Services Skills (Retail Supervisor and Hotel Service Supervisor); and VET teachers is picked up solely in Innovation and Business Skills list although the need covers all industries.



by the mining boom) and the Northern Territory, and also in rural and regional areas across Australia.

## 4.3 Reasons for the identified skills shortages

A range of reasons was presented for the labour and skills shortages identified. Although some of these were particular to a certain occupation, many similar points were raised across the forums. Following the structure used in the forums, the key themes to emerge are grouped under external factors, the nature of the industry and work, and workforce issues:

### 4.3.1 External factors

1. **The requirements of occupations mean that workers need a much broader set of skills than was the case in the past.** Factors such as changes in technology, OH&S requirements and customer demand for greater quality meant that workers needed a much more comprehensive skill set than in the past.
2. **The likely move to a carbon constrained future is changing skill requirements.** A number of industries noted that environmental considerations have changed and will continue to change the skills required. The challenges posed here are exacerbated as there is a substantial shortage of trainers with expertise in sustainable and green issues.
3. **Poaching contributes to the skills shortages that individual enterprises face.** In the face of widespread skills shortages many organisations have resorted to poaching skilled staff. This was contributing to the skills shortages faced as it acts as a strong disincentive to invest in training.
4. **There is often a disconnect between what is delivered by training institutions and the requirements of industry.** Skills gained through formal training courses are often not the key skills industry is seeking. A large number of participants across a number of forums contended that training was also not of a sufficient quality.
5. **Different jurisdictional requirements act as a barrier to a more skilled workforce.** Varied requirements across jurisdictions, such as licensing requirements, result in additional training requirements and associated costs. This issue was raised frequently at each forum highlighting the fact it impacts industries, sectors, enterprises and individuals.
6. **Extremely attractive conditions in some industries create labour shortages in other sectors.** The high level of remuneration offered in some industries, especially mining, has something of a 'crowding out' effect for other industries with lower remuneration, as lower-paying occupations are seen as less attractive.
7. **More students are obtaining jobs straight out of school, without any formal qualifications.** A reduction in formal training (through the VET or university system) has the potential to create longer-term skills shortages, if individuals' skills are limited to those gained on-the-job working for a specific enterprise.

### 4.3.2 Nature of the industry and work

1. **Unattractive pay and conditions and the nature of work can be a strong disincentive to potential recruits.** In a number of industries the job opportunities, especially at entry-level, offer uncompetitive wages and/or unattractive working conditions which had



contributed to the labour and skills shortages faced. In a number of industries the nature of the work – irregular or unsocial hours, physical requirements or dirty work – was also a key factor. These issues were relevant to a number of service industries and were also raised in elements of forestry, manufacturing and other industries.

- 2. Industries are failing to present attractive career pathways to potential recruits.** A number of industries or sectors presented the need to provide more compelling information to potential recruits of the career options and career pathways that the industry offered. (Potential recruits were seen to have a poor perception of a number of industries facing generalised labour shortages, such as tourism, hospitality and forestry). It is also extremely difficult for school career counsellors to be across the various pathways so they can present different industries as attractive career options.
- 3. A number of industries have ‘thin’ training markets.** Industries that are geographically dispersed (such as mining and forestry) often lack a critical mass of people in a specific area to make supplying training cost effective. A similar challenge arises where industry and training locations are not located close by each other.
- 4. The high cost of training can be a barrier to both training institutions and enterprises from providing training.** In industries which use highly specialised and expensive equipment, such as mining and manufacturing, training institutions often lack the key resources to teach individuals the skills they require so they could begin work without needing significant on-the-job training. Small and medium sized enterprises, that dominate some industries (such as business services), often lack the resources (both financial and time) to conduct training or the flexibility to allow staff to undertake off-site training.
- 5. Small to medium sized enterprises (SMEs) have difficulty prioritising training.** The day to day operational demands consume the time and resources for most SMEs. Consequently the ability of SMEs to participate in addressing skills shortages and workforce development presents challenges given the high proportion of businesses which are SMEs.

### 4.3.3 Other

- 1. The alignment of occupations and skills within and across the ISCs (and the broader training system) creates significant challenges for industry.** For a number of enterprises, critical occupations are covered by a number of ISCs and training bodies. This can make interacting with the training system extremely costly and time consuming, especially for SMEs.

### 4.3.4 Workforce issues

- 1. There is an acute shortage of experienced and qualified trainers.** A substantial shortage of trainers is widely seen as critical to skills shortages. Without action, this problem would grow in the future as the demographic profile of the existing training workforce is heavily skewed to people approaching retirement.
- 2. The age profile in a number of industries is heavily skewed to older workers.** A tendency for the older cohort of baby boomers to reduce their attachment to the labour market was regularly cited as a reason for the skills shortages faced. This was expected to increase in the coming years as more baby boomers reach retirement age.



## 4.4 Consequences of the identified skills shortages

In the forums participants noted that the skills shortages identified had a number of direct implications for the particular organisations affected. Common points raised were:

1. **An inability to respond to growth opportunities.** Many industries and sectors have substantial growth opportunities (including export opportunities) and in the absence of skilled staff such opportunities cannot be taken.
2. **The periodic closure of enterprises and sometimes enterprises closing down.** One way enterprises responded to skills shortages was closing down during certain times of the week and potentially closing down fully. The former response was noted as quite common in the hospitality sector, especially in regional areas. Delays in air transport were being caused through pilot and security staff shortages, as well as some airline routes being closed.
3. **Upward pressure on wages.** A number of participants suggested that labour and skills shortages had led to upward pressure on wages (for example, individuals in relatively low skilled occupations, such as security guards and truck drivers, are being paid \$100,000 a year and more in regions where the mining boom is particularly strong).
4. **Staff are promoted earlier than desirable.** With a shortage of experienced skilled staff, employees are often promoted much earlier than desirable which has implications for service quality and potentially safety (see below).
5. **Occupational health and safety objectives could be threatened.** Meeting OH&S objectives could be jeopardised from a shortage of skilled staff.

The forums also raised a number of broader economic and social implications from the skills shortages identified, including:

1. **An increase in ‘incidents’ that threaten community health and safety.** Appropriately skilled staff are critical to maintaining the community’s well being across a number of diverse industries, such as agriculture, construction, electricity gas and water, manufacturing and transport. In a similar vein, a shortage of appropriately skilled public safety workers (such as defence, emergency services, fire, police and surf lifesaving) had the potential to have significant implications for community well being.
2. **Filling some skill shortages is particularly crucial to the efficient functioning of the economy.** Some industries provide critical infrastructure requirements in the economy, such as construction, telecommunications and transport. Skills shortages in such areas have the potential to have much broader implications than for the particular industry faced with a shortage. With significant privatisation over the past decade or so, many of these roles are no longer in the public sector.
3. **Skill shortages in some areas could negatively affect governments’ ability to achieve their wider economic and social objectives.** A common example was the Australian Government’s objective of reducing Australia’s carbon emissions, shared by many in industry, required new skills across a number of industries. Without such skills, achieving the overall objective could be jeopardised.
4. **Increasing demand for temporary and permanent immigrants.** Immigrants provide an important source of skilled labour and were likely to remain an important source in the coming years.



5. **The viability of regional towns and services could be threatened.** If skills shortages cause large enterprises in regional areas to close down, there is the potential for significant flow on effects for other industries in the area and the viability of some towns. The viability of volunteer services, like the Country Fire Authority, could also be endangered.

## 4.5 Industry's response to the identified skills shortages

The forums raised a number of common themes regarding the key steps enterprises and industry could take to meet the skills needs identified. While there were things that individual enterprises could do, a key theme was that solutions needed to be sector and industry based as enterprise specific solutions were unlikely to assist the industry in general (i.e. one enterprise's success in attracting recruits will be another enterprise's loss). Furthermore short-term solutions such as poaching staff from other enterprises and reducing recruitment requirements were unlikely to provide satisfactory longer-term solutions.

Some of the key themes to emerge were:

1. **Broaden the target demographic for recruits.** Meeting the skills challenges identified will require enterprises to recruit outside traditional channels. Suggested key demographics to target included middle-aged workers, especially sea changers and tree changers in regional areas, and women in traditionally male dominated industries. There was also a greater opportunity and willingness to make greater use of Indigenous labour (especially for industries in remote areas), yet governments had an important role to play in helping to provide basic numeracy, literacy and job readiness skills.
2. **Develop solutions that are regionally based.** As the activity in a number of industries is tied to a specific piece of land (such as agriculture, forestry and mining), national solutions to skill shortages need to be cognisant of regional differences.
3. **Develop better relationships and partnerships with local school and training providers.** Better relationships and partnerships with organisations that are often the source of new recruits had the potential to improve perceptions and highlight career pathways and also encourage training to be more in tune with industry's needs.
4. **Re-examine business models and aim for greater flexibility.** It was suggested that continued skills shortages had and would continue to give rise to a greater use of franchise models, labour sharing between businesses, outsourcing previous core functions and an increase in buying groups.
5. **Develop broader training packages that address the common skill requirements across an industry.** Rather than train people to perform a specific occupation there was a need to provide workers with a broader set of skills consistent with the likelihood of being required to perform a multitude of roles over a career.

## 4.6 Government's response to the identified skills shortages

The forums raised a number of common themes regarding the key steps governments could take to assist industry meet the skills needs identified. Some of the key points to emerge were:

1. **The development of industry strategies as the first step in determining skills needs.** It was important to consider the broader context of an industry's position and prospects to
-



gain a firmer understanding of the key skill and training needs. This also led to the desirability of developing broader industry workforce plans.

2. **Streamline the VET sector to reduce complexity and boost flexibility.** Land and capital owners require more dexterity to respond to changing economic structures (for example, the ForestWorks forum raised the challenges farmers faced in changing from crops or grazing to plantation forests) which requires more flexibility in the training system. Similarly, there was an opportunity to make RPL more consistent and less bureaucratic. It was noted that industry dissatisfaction with the VET system could lead to more enterprise RTOs being established which would mean that many of the advantages of a national training system, such as consistency, could be lost.
3. **Provide funding to develop skill sets rather than qualifications.** Training should be focussed on providing people with well rounded and well developed skills sets attuned to industries' needs, rather than specific qualifications.
4. **Increase the skills of trainers and assessors.** As noted earlier, a key reason identified for skill shortages was a lack of experienced trainers and assessors. Governments therefore had an important role to play in increasing the attractiveness of positions within the training sector.
5. **Clarify the roles and responsibilities of the various key stakeholders such as Skills Australia, the ISCs, etc.** The complexity of issues meant that there was a role for multiple organisations, yet greater clarity was required regarding the role each organisation played and also the relationships between them.



## 5 The path forwards

The following suggestions about the path forward are based on the forum discussions, discussions with Skills Australia representatives and Nous observations. They are broken down into the following components:

1. System
2. Industry
3. Framework for understanding skills and training needs
4. Need for trainers

The forums presented many comments about the nature and speed of change across each industry and sector. These result from factors such as consumer demand, major influences such as climate change and the introduction of new technology. Additionally the location of skills needs shifts, sometimes quickly and frequently. In its environmental scan the Agri-Foods ISC wrote “*The publicly funded training system must respond to this reality and offer bit sized “building blocks” of skills in addition to “base qualifications”.*” These comments about paths forward consider the practicalities required to be responsive to such circumstances.

### 5.1 System

In the course of the forums comments were made about what could be loosely called ‘the system’. A common theme throughout the forums was the need for a demand driven training system that was responsive to the needs of industry. Given their involvement in either the funding, delivery or setting of training packages, this has implications for the Commonwealth, Skills Australia, the ISCs, State ITABs and other networks.

#### 5.1.1 Australian Government

The Australian Government can make a difference on a number of matters which emerged from the forums. These are:

- **Simplify legislative and regulatory arrangements** – The lack of consistency across Australia in these matters causes obstacles to a more highly skilled workforce. For example, inter-state licensing differences result in additional training requirements and associated costs. The Australian Government should give priority to standardising across Australia any legislative and regulatory arrangements which impact on skill development to remove any deterrents to quality recognised training.
- **Lead by example** – The Australian Government is a major employer and purchaser of services. This presents opportunities to show a commitment to skills development and to influence industry. The Australian Government should ensure it is consistently providing leading edge skills development opportunities across all its agencies and include skills development requirements in government contracted services. This will require a commitment of funds. The Australian Government should report publicly on its own efforts to skill its workforce to showcase best practice approaches.



- **Simple & diversified funding models** – Participants at a number of forums expressed concern that current funding models encourage training organisations to focus on building the volume of trainees and to deliver standardised approaches which can reduce quality and is not always consistent with being responsive to industry needs. A demand driven system will require a variety of funding models.
- **Long term approaches and commitments** – Addressing skill shortages is complex and will require long term sustained effort, built on a series of short term and medium term objectives. Forum participants commented that government programs and funding often were too short and usually linked to the three year election cycle. This causes a lack of continuity and uncertainty for providers and industry. Furthermore strengthening Australia’s productivity through skills development will require integrated approaches rather than diverse separate initiatives.
- **The nature of training qualifications** – The provision of full qualifications or skill sets is an issue of continued debate and was raised in every forum. It was acknowledged that skills development needs to take account of the needs of businesses and individuals. The Australian Government can take a pro-active role in furthering a constructive approach to meeting these needs.
- **Socially critical occupations and skills** – When reflecting on the consequences of skills shortages, the forums identified a number of far reaching implications. Some of the consequences would be dramatic for Australian society. Examples include threats to energy supplies, lack of basic health services and transport system failures. Many of these were previously public services and are now private sector businesses, yet remain essential to Australian well being. Amongst the reasons given for skill and labour shortages in these areas has been the poor image of some key roles. The Australian Government has a role in leading the development of an approach to ensure sufficient interest in, and appropriately skilled staff for, the critical occupations which are essential to Australian society.

### 5.1.2 Skills Australia

As a newly formed body Skills Australia is determining its priorities, plans and operational approaches. The following themes to emerge from the forums can help inform those deliberations about Skills Australia’s role and influence.

- **Building relationships** – The forums were well received and seen as an indication Skills Australia intends engaging with, and listening to, industry. Priority should be given to building on those relationships.
- **Engaging with industry** – To fulfil its mandate Skills Australia will need to engage with industry on many different issues over an extended period. While the ISCs and representative organisations are valuable consultative resources, Skills Australia should develop a strategy, approach and program of activities for industry engagement to ensure it is in a position to carry out its mandate.



- **Clarify roles** – The SAFTF policy initiatives present a new approach and has consequences for the roles of various organisations, some funded by the Australian Government. As an example the ISCs will have a key role which builds on their previous experience. In recent months the ISCs have assisted Skills Australia through the preparation of environmental scans and convening the recent forums. Just as for Skills Australia, the brief for ISCs is very broad. The State ITABs have varied roles and there are variations in their resourcing. Skills Australia will need to be clear about the role of those bodies and the relationships with the ISCs. Additionally there are many other industry bodies and networks who can have a very useful SAFTF role. As a central coordinating entity Skills Australia should work to clarify the roles of the various key organisations essential to Skills Australia’s mandate.
- **Support ISCs shifting into their SAFTF roles** – The ISCs have an important role for the SAFTF policy. There will be considerable demands and expectations on the ISCs. Some of the ISC activities are new and some will differ from the past due to new priorities and emphases, largely emanating from Skills Australia. Support would assist the ISCs fulfil those roles. Skills Australia should work with the ISCs to establish shared priorities and common approaches which clarify expectations, processes and timetables.
- **Promote a long term strategic approach to workforce development** – Many forums commented on the need for longer term strategic approaches to skills development. Skills Australia has a key role to play in promoting and facilitating workforce development planning and strategies for industries and enterprises. This would be consistent with Skills Australia’s brief.
- **Recognition of prior learning (RPL)** – One of the issues raised consistently in the forums was the need to simplify the processes for recognising prior learning. It was also suggested that the current processes could be expensive.
- **Immigration** – Current migration and visa arrangements were raised at many forums as being problematic. Attracting international skills was seen as an important option which can be complicated, slow and not responsive to industry’s needs. The comment was also made that short term visas result in the development of skills which then leave Australia. As a result Australia is investing in the skills of other countries rather than expanding Australian skills. Skills Australia could play an important role in bringing these matters to the wider attention of the Australian Government.

## RECOMMENDATIONS

### Australian Government

1. That the Australian Government take urgent action to standardise across Australia any legislative and regulatory arrangements which impact on skill development to remove any deterrents to quality recognised training.



2. That the Australian Government take a leading role in showcasing a commitment to increasing workforce skills in Australia by:
  - ensuring it is consistently providing leading edge skill development opportunities across all its agencies
  - including skills development requirements in government contracted services and allowing for the resulting additional costs
  - reporting publicly and regularly on its own efforts to skill its workforce and the impact on skills development of its contracting arrangements.
3. That the Australian Government review funding arrangements for Skilling Australia For The Future initiatives to ensure:
  - the flexibility required for a system which is responsive to industry needs
  - the maintenance of the quality and portability of skills.
4. That the Australian Government establish a long-term integrated program of activities to implement SAFTF with associated funding. Arrangements should include continuous improvement mechanisms to review and adjust the programs.
5. That the Australian Government initiate discussions with the key stakeholders to reach a constructive approach to the issue characterised as skills sets or full qualifications.
6. That the Australian Government take a leading role in developing an approach to ensure sufficient interest in, and appropriately skilled staff for, the critical occupations which are essential to Australian society.
7. That the Australian Government review RPL arrangements to ensure they are industry-friendly and cost effective.
8. That the Australian Government consult with industry about migration in relation to skills shortages.

### **Skills Australia**

1. That Skills Australia develop an industry engagement strategy, approach and program of activities. The approach should ensure widespread industry participation across sectors and regions with an emphasis on participation from enterprises to complement the views of representative organisations.
2. That Skills Australia clarify the roles of the key bodies essential to SAFTF. These will include the ISCs, State ITABs, State Training Authorities and other industry networks.
3. That Skills Australia, following clarification of the role of the ISCs, work with the ISCs to establish shared priorities and common approaches which clarify expectations, processes and timetables. This could start with a workshop involving ISC Chairs, ISC CEOs and Skills Australia.
4. That Skills Australia promote and facilitate workforce development planning and strategies for industries and enterprises.



## 5.2 Industry

Skills shortages can only be addressed with the active participation of industry. This was a comment made at each forum.

Industry involvement is required in a number of ways.

- **Shaping the content and delivery of training** – Responding to industry requires training content and methods of delivery to be shaped by industry. The training package development and review processes are designed for this purpose. However the training system's success in delivering quality outcomes depends on the ability and willingness of industry to participate in identifying their needs and the required training to meet those needs.
- **Supporting training** – Participants commented that many businesses are not currently actively supporting training. The reasons given included: businesses shifted to focusing on core business in 1980s and 1990s leaving training to others; SMEs are too busy with day-to-day operations to focus on training, and also lack the resources and flexibility to commit to training; and a move to more specialised task-specific training rather than broader longer term training. The SAFTF initiatives will require industry's active support in ways such as:
  - encourage staff to be trained
  - identifying in-house trainers and mentors
  - providing placements for school-based programs, trainees and apprentices
  - recognising the value of training.
- **Funding training** – Associated with industry supporting training is the issue of funding. Forum participants commented that successful businesses were investing in training and treated skills development as a long term strategic investment. It is unlikely that SAFTF initiatives can succeed entirely through public funding. Consequently industry will need to contribute to funding training. This could take a number of forms:
  - direct funding of training for people working in an enterprise
  - cooperative arrangements such as establishing an industry training service
  - staff being given time off work for training
  - remunerating people who acquire additional skills
  - building training and mentoring into workers' roles
  - employing people while they develop skills or complete training.
- **Providing training opportunities** – Developing skills often requires on-the-job learning. This can only occur if industry provides training opportunities. SAFTF anticipates industry providing training opportunities for many different components including:



- school-based activities (e.g. work experience, Structured Workplace Learning, School-Based Apprenticeships)
  - Traineeships and Apprenticeships
  - life-long learning while in work.
- 
- **Taking a longer term strategic perspective** – Forum participants commented that successful businesses had established workforce development plans and treated skills development as an investment. Such attitudes will be required if industry is to be actively involved in SAFTF.
- 
- **Building alliances** – Participants identified cooperative arrangements as an important component of responding to current and future solutions to skills shortages. Businesses work with schools to establish school-to-work pathways and they have established shared arrangements with other businesses, sometimes in the same industry but not always.
- 
- **Ensuring pay and conditions are attractive** – Pay and conditions were identified as reasons for labour and skills shortages in many industries. Some of those comments were made in relation to the difficulty of competing with the remuneration available elsewhere. However, some comments indicated that conditions acted as a disincentive to attracting and retaining people. This applied to the lack of alignment between work conditions and people’s lifestyle choices such as combining work and parenting. Industry will need to be actively involved in addressing these issues.
- 
- **Leading the required cultural change** – Many of the above matters will require a cultural change – one which places a high priority on skills development and workforce planning. Forum participants commented on such cultural change being required to achieve greater productivity and skills development. As with any cultural change this can only occur with active leadership and participation within and across enterprises. Industry leadership will be essential to securing such cultural change.
- 
- **Understanding the issues impacting on SMEs** – Given the high proportion of SMEs in the Australian economy it is important to appreciate the attitudes and challenges which impact on their likely participation in the SAFTF initiatives.

#### **RECOMMENDATIONS**

1. That Skills Australia work with industry bodies and ISCs to develop a strategy and implementation plan to promote a cultural change in industry aimed at active industry involvement in the many aspects of SAFTF.
2. That Skills Australia initiate consultations with industry about the potential and limitations of industry participation in SAFTF with particular attention on SMEs.



## 5.3 Framework for understanding skills and training needs

The current tools for assessing skills and training needs, allocating training resources and developing skills are not sufficiently transparent for industry.

- **The ASCO codes** – Each forum commented the codes were problematic. This stems from the fact not all occupations are represented or that the occupations do not adequately reflect the nature of the jobs at the enterprise level. The absence of such alignment has had a number of consequences for the availability of training funding when this is confined to ASCO-listed occupations. It was also suggested training support is not available to industry because the system was not developed to respond to industry. One forum commented the ASCO codes were developed for a particular ABS purpose and that problems arose when seeking to then use the codes for a different purpose, such as the identification of skills shortages or the allocation of training funds. Concerns about the codes were raised so consistently that Skills Australia would be advised to explore whether alternatives could be developed. The confusion relating to codes also makes the collection of data difficult.
- **ISC alignment with industries and nature of occupations** – In a number of forums comments were made about occupations not being confined to an industry covered by a particular ISC. The comment was made that the ISC configuration was developed in relation to the training package development process. The additional comment was made that the arrangement limits the ability to identify skills needs and address skills shortages because these occur in enterprises not aligned with the ISC industry areas. Skills Australia would be advised to consider the implications of the current ISC industry configuration.

### RECOMMENDATIONS

1. That Skills Australia initiate discussions with industry representatives, ISCs, State Training Authorities, DEEWR and the Australian Bureau of Statistics to establish occupation categories to be used in relation to developing skills and the identification of skills shortages.
2. That Skills Australia initiate discussions with industry representatives, ISCs, State Training Authorities and DEEWR to identify any limitations of the current ISC industry configuration and solutions to overcome them.

## 5.4 Need for trainers

When identifying skills shortages each forum referred to the significance of the shortage of trainers in Registered Training Organisations and within enterprises (and also assessors). The lack of trainers presents Skills Australia with a significant issue in fulfilling its mandate. Even in relation to the PPP, comments were made that even if the places are allocated there may not be training available because of the shortage of trainers. There were a number of dimensions to this issue:

- **An overall shortage** – There are insufficient trainers across all industries and industry sectors. This is being exacerbated by the proportion of trainers who have retired or will do



so soon. Additionally the labour shortages elsewhere and the attractive remuneration alternatives means trainers are accepting other non-training jobs.

- **Trainers for new and emerging skills** – Technology and industry changes bring new skills and associated skills shortages. At one forum people referred to ‘world’s best and world’s **first**’ practice in relation to climate change responses. In other words, where industry is breaking new ground there will not be trainers. This is compounded by the overall shortage of trainers. The demand for green or environmentally responsible industry approaches will bring further pressures on how to train the workforce.
- **Industry losing its internal skills and knowledge** – The ageing workforce in many industries is accompanied by a substantial loss of knowledge and experience before it is being transferred effectively to others. This is occurring in enterprises and across industries and industry sectors.

#### **RECOMMENDATION**

1. That Skills Australia initiate discussions with industry representatives, ISCs, State Training Authorities, DEEWR and RTOs about the shortage of trainers. The purpose will be to develop a strategy and implementation plan to expand the availability of trainers across all industries and within enterprises.



## Appendix A Forum questions

A similar structure was followed in most forums. Participants split up into sector groups and considered the following issues on a sector specific basis (the ForestWorks forum was run as an open plenary).

### 1. Dimension of current skills shortages

In what occupations are there current and anticipated skills shortages and skills gaps?

Key issues to consider:

- In terms of the total numbers of recruits required within a sector and within each jurisdiction, which occupations dominate?
- Are there any particularly crucial occupations in the 'chain of occupations' within an enterprise or industry?
- Are there any important state/territory distinctions?
- What are the priorities?

### 2. Reasons for skills shortages in the industry

a) What are the factors that have led to the current skills shortages and gaps in the occupations identified?

i) External factors

- Government legislation or regulatory requirements (e.g. environmental / carbon issues)
- Regional or global competition for skilled workers
- Difficulties from the conceptualisation of jobs and classifications

ii) Nature of the industry / work

- Changing nature of operations within enterprises
- Technological or equipment changes

iii) Workforce

- Changing demographics of the workforce
- Attractiveness of industry as an employment path to potential recruits
- Burdensome educational requirements (time, cost, etc)
- Geographical/regional issues

b) What are the factors that are likely to lead to the identified shortages and gaps in the occupations identified in the future?

Consider the same factors as above, and any other relevant factors.



### **3. Consequences of skills shortages<sup>8</sup>**

What are the consequences for firms in your industry of the occupation skills shortages and gaps identified?

Some possible consequences to consider:

- Wages growth
- Impact on service delivery
- Inability to meet export opportunities
- High level of imports (as cannot meet domestic demand)
- Etc

### **4. Industry's response (especially concerning training)**

a) Current – to meet the skills shortages and gaps identified

- What are the successful firms doing?
- What could firms be doing?
- What is the industry doing?
- What could the industry be doing?

b) Future – to meet the skills shortages and gaps identified as likely in the future:

- What are the successful firms doing?
- What could firms be doing?
- What is the industry doing?
- What could the industry be doing?

### **5. Government's response (especially concerning training)**

a) Current – to meet the skills shortages and gaps identified

- What are governments – federal and state/territory – doing?
- What could governments – federal and state/territory – do?

b) Future – to meet the skills shortages and gaps identified as likely:

- What are governments – federal and state/territory – doing?
- What could governments – federal and state/territory – do?

---

<sup>8</sup> This section was not covered in the SkillsDMC forum due to time constraints.