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Overcoming Australia's Labour and Skills Shortages

Through Skills Development,
Workforce Participation and Migration

MARCH 2022

**BETTER
AUSTRALIA**



Securing the foundations for a stronger and smarter future.



**Australian
Chamber of Commerce
and Industry**

About the Australian Chamber of Commerce and Industry

The Australian Chamber of Commerce and Industry is Australia's largest and most representative business network. Our members are state and territory chambers of commerce, national industry associations and a council of business leaders from individual enterprises. Together, we represent Australian businesses of all shapes and sizes, across all sectors of the economy, and from every corner of our country.

Overcoming Australia's Labour & Skills Shortages:
Through Skills Development, Workforce Participation and Migration

Workforce Policy Position Paper
Published by the Australian Chamber of Commerce and Industry (ACCI) as part of the *Better Australia* policy initiative.

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Foreword

The most pressing challenge facing business today is a shortage of skills and labour. With workplaces under enormous strain, it is placing a handbrake on economic growth.

Australia has faced skills and labour shortages during previous economic cycles but never so acutely as now due to the exacerbating impact of the pandemic and the extended period of closed international borders.

We need solutions that not only deal with this problem now, but also help to future-proof the labour market against recurring severe shortages.

We achieve this by first understanding why labour and skills shortages exist and then apply a three-pronged approach to tackling them that aims to **develop skills, encourage increased workforce participation and rebuild sustainable migration.**

To ensure we have a pipeline of future workers with the skills employers and the economy require, we need to improve our effort in developing skills and better ensure we have the right skills in the right place.

To increase the pool of people available in the labour market as well as delivering a community benefit, we need to increase participation in the workforce for women, people with disability, as well as people who are mature aged, indigenous, young and the long term unemployed.

We need solutions that not only deal with this problem now, but also help to future-proof the labour market against recurring severe shortages.

Migration provides benefits to all Australians, but we need to change the settings of our current migration program to improve accessibility and responsiveness to provide a skilled workforce to fill gaps and additional labour that will complement our existing workforce.

The success of Australia's recovery requires all of us to work together to increase productivity and accelerate economic growth. If we do not make changes now, the current labour and skills shortages will continue to worsen with immediate, as well as long term, economic and social consequences.

We want to make Australia the best place in the world to do business so that Australians have the jobs, opportunities and living standards to which they aspire.



Andrew McKellar
Chief Executive



BETTER AUSTRALIA

Securing the foundations for a stronger and smarter future.

This document expands upon a vision and goals from ACCI's headline policy publication *Better Australia - Securing the foundation for a stronger and smarter future (2021)*.

It directly links with Vision 1: A Smarter Australia (with skills for now and the future) and Vision 3 – A Bigger Australia. It also links to the specific goals in *Better Australia*:

- Goal 7, an education and training system that grows our skills base, supports a knowledge economy and maximises the contribution of business to our national prosperity and development,
- Goal 8, a larger population where people go where they are most valued, and
- Goal 9, where all Australians wanting to work can access safe, productive and rewarding work.

Current Extent of Australia's skills and labour shortages

Australia's skills and labour shortages are apparent to all of us through the staff-wanted signs dotting the retail landscape, reduced operating hours, empty supermarket shelves due to staff shortages across the supply chain, online job ads which have never been higher, or in the more limited facilities or services available at countless businesses due to lack of staff.

While shortages have been seriously exacerbated by COVID, they have been a problem in Australia over many decades, often becoming worse during peaks in the economic cycle. To identify possible solutions, we first need to quantify our skills and labour shortages, what may be future gaps, and then speculate on why these problems arise.

Beyond the day-to-day impact, businesses are feeling the financial pain of staff shortages. For example, WA businesses report that if shortages are not resolved, they stand to lose a combined \$1.5 billion, with businesses indicating they would lose over \$140,000 over 12 months as they strain to keep up with demand,

turn down work and reluctantly reduce their operations.¹

Businesses have also reported skills and labour shortages are a significant barrier to growing their business over the coming year. This not only acts as a hand break on the economy but reduces job opportunities for Australians.

Skills and labour shortages will also impact the ability to finalise projects that would benefit all Australians, including the delivery of major resource and infrastructure projects that could contribute to future jobs and billions of dollars in export earnings.

Skills and labour shortages are widespread and growing

Businesses of every size, in every industry, in every corner of the country, are experiencing the worst skill and labour shortages in decades - a challenge that is worsening by the day. Across Australia one in five occupations are experiencing skill shortages², and more than one in four businesses report having difficulty finding suitable staff to fill jobs.³

The skills and labour shortages are occurring at a time of historically low unemployment and high rates of participation. Australians previously not in work are re-joining the workforce to a greater extent. The unemployment rate of 4.0 per cent in February 2022 is

Defining key terms

What is a skills shortage and is it different to a skill need?

A *skilled worker* is generally one who has or works in an occupation at the equivalent level to someone who has completed a vocational education and training (VET) Certificate III or above, including all qualified tradespersons and all jobs that require or expect a higher education degree.

Skill shortages are measured by national, state or regional labour market analysis of data trends such as vacancies, industry surveys or similar. As the name implies, skill shortages tend to focus on either current or forecasted statistically significant shifts in demand for occupational skills. *Skill needs* arise when job seekers may be available but not with the right skills for the vacant position the employer is seeking to fill. Skill needs embrace skills shortages, but they also can be local, niche, or even on a particular business basis. Both skill needs and skill shortages are important and need to be satisfied for businesses and productivity to grow.

Much emphasis in the education, training policy and funding, as well as the migration settings, is on national or state skills shortages. However, insufficient recognition is given to localised skill needs which are equally important to productivity.

What is a labour shortage?

A *labour shortage*, which embraces skill shortages, is when there are no job seekers available to fill vacancies even when the jobs may not be requiring any specialist skills. This is where you often hear employers say, "I need workers - any warm body will do!"

the lowest rate since the peak of the resources boom in 2008.⁴ It is predicted that, as a result of unprecedented fiscal stimulus in response to COVID-19, unemployment will decline even further to around 3.75 per cent by the end of 2022 and remain at this level during 2023.⁵ Australia has not experienced unemployment rates this low in the past half-century – the last time we had the unemployment rate below 4 per cent was in the early 1970s.⁶

Slow population growth and an ageing population, combined with projected jobs growth and skill demand over the coming years suggests there will be little relief from skill and labour shortages without better policies in place to tackle the problem.

Projections from the National Skills Commission indicate almost a million new jobs will be created over the five years to November 2025.⁷ While the unprecedented changes brought on by COVID-19 have created even less certainty as to the jobs of the future, it is most likely that the main growth industries will be health care and social assistance; construction; accommodation and food services; education and training; and professional, scientific and technical services. However, future

employment growth is not just confined to these areas, as demonstrated in Figure 1.

Population growth is the lowest in a century⁸, and Australia's fertility rate is at a record low.⁹

Australia, like the rest of the world, is also facing rapid technological change. Without the right policy settings in place there is a risk that new technologies will generate gaps in workers' skills while also limiting the ability for Australia to keep up with the pace of digital transformation and seize the future opportunities.

Australia is not alone in facing skills and labour shortages. Globally, skilled migrants have never been more in demand with countries now competing for the skilled labour force they need.¹⁰ The United States, Canada, New Zealand and the United Kingdom have all been active in attracting skilled migrants and international students. The needs of these countries are not dissimilar to Australia as they, too, are investing in infrastructure and opportunities as they recover from COVID. Australia's skills and labour challenge is not regional - it is global.

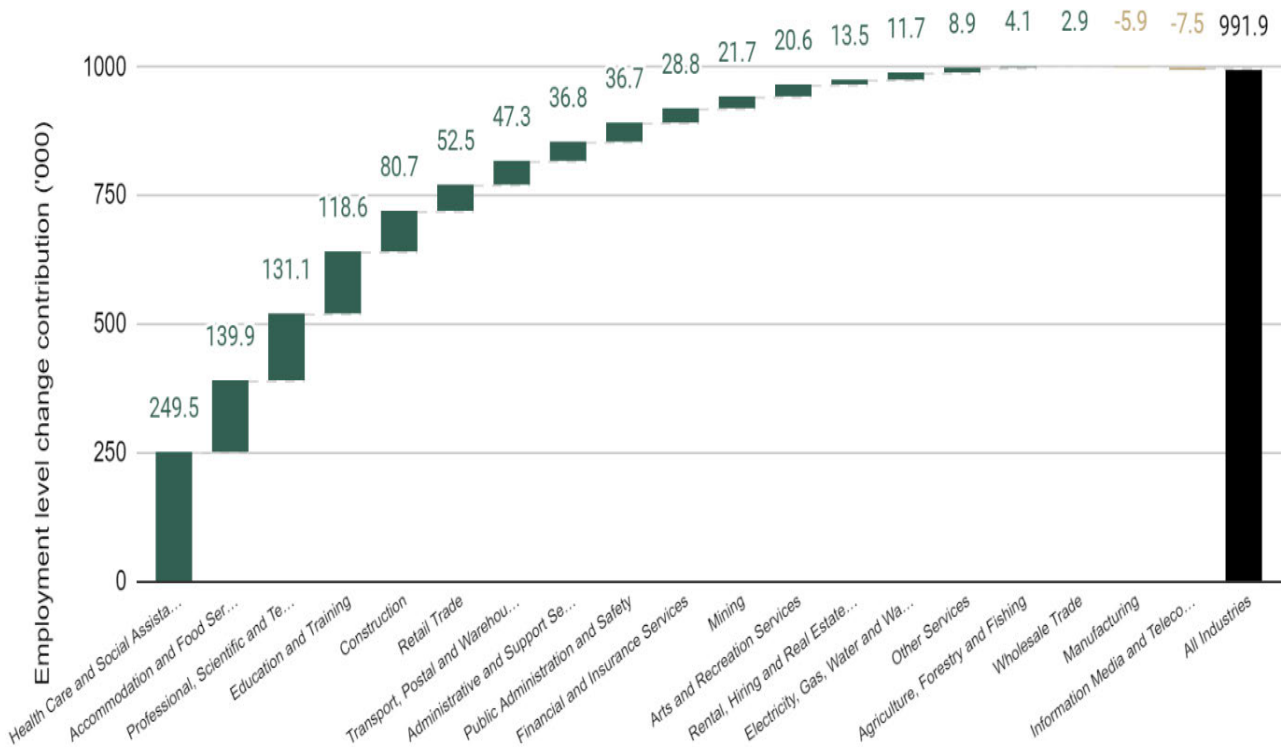


Figure 1: National Skills Commission: Industry contribution to projected employment growth, five years to November 2025⁷



PANTHERS

“Panthers Port Macquarie is currently suffering severe staffing shortages with almost a quarter of our workforce currently unfilled. We have more than 20 vacancies out of a normal workforce of 110 with vacancies for function and customer service assistants, front of house and food service staff and chefs.

The reason for the large number of vacancies is a combination of factors. Students have traditionally been a large part of our workforce but our local universities are empty with few domestic or international students on campus.

“Other businesses have been able to stay open throughout COVID so have recruited some of our employees and we can’t get them back. I think a lot of people in this industry have chosen to leave for what they consider more secure employment.”

As a result we have had to change how we operate. Everyone has to work harder and for longer. People can’t take the leave they want. Casuals are doing more hours than they want. We’ve even had some functions where the administrative staff have been serving food. We’re all doing what needs to be done to make the place work.

“On top of that, we’ve had to cut back on things we would normally offer. At the moment, we struggle to do large functions or events.”

**Russell Stockham, General Manager
Panthers Port Macquarie**

Why does Australia have a skills and labour shortage?

There are many factors which have led to Australia's current skills and labour shortages. These include the pandemic and related economic stimulus, longer term structural issues around skills and experience mismatch, diversity and spread of our economy, seasonal work, labour force participation rates, demographic challenges, and mobility limitations.

COVID-19 impacts

In March 2020, in the face of a once in a century pandemic, the Australian government closed its borders. Hundreds of thousands of temporary migrants returned home, immigrant flow reduced to a trickle, and labour movement between states was severely limited. Australia has only recently reopened its borders, and although migrants are starting to arrive, it will take some time to return to pre-pandemic numbers.

Over the last two years, governments have injected an unprecedented amount of funds and tax incentives to stimulate the economy and preserve jobs, resulting in strong household savings and subsequent consumer spend. The boost in economic activity other than in full lockdown periods, as well as the significant labour dislocation particularly for casuals, has had a huge impact on the labour market. In many industries including retail and hospitality, the connection with a large part of their workforce has been lost due to the stop-start economic activity arising from lockdowns.

In early 2022, COVID was having a very direct and profound impact on labour shortages due to the large number of cases and their close contacts. Although this may be a short-term impact relating to the omicron variant, we should not be complacent as it may happen again with another variant or as we approach winter with both COVID and the flu to concern us.

Skills and experience mismatch

This is a term often heard globally as it is a universal imperative that people should acquire qualifications in areas that are most needed in the economy. To achieve a greater match, students and potential career-changers need to be informed in a timely and accurate way of opportunities in the labour market. There is a significant difference in the success of employment and salary outcomes for graduates depending on what is studied at university and vocational training colleges. In a country where potential students have unlimited choices, job outcomes can be disappointing for many graduates even in periods of high employment.

Often an individual is employed in a job that they are overqualified for, with 35 per cent of workers reporting their skills are underutilised.¹¹ This can cause a range of flow-on effects from poor job satisfaction and lack of engagement with the workplace.

In many industries including retail and hospitality, the connection with a large part of their workforce has been lost due to the stop-start economic activity arising from lockdowns.

A skills mismatch on a national scale is a concern for all as it means that education and training is not sufficiently addressing the needs of the labour market, and governments and individuals are not getting an effective return on their investment. We need to harness our workforces to meet and anticipate demand, otherwise we risk not sufficiently securing the productivity benefit from an investment in skills development.

Labour force participation

Australia's labour force participation rate in February 2022 was 66.2 per cent¹², representing around two out of every three people between 15 and 64 years of age are in the workforce - either in employment or actively looking for work. The underemployment rate reflecting those who would like to work additional hours is at 6.6 per cent.¹³ Although both figures are positively trending down, the numbers still represent 1.5 million Australians

who are available to do more work, as well as masking the reality faced by certain groups.

There is clear scope to increase participation for those who face specific challenges entering the workforce. This includes the long-term unemployed, young and mature age workers, women, and people with disability.

We need to do more to connect the long term unemployed to job vacancies and encourage individuals who face a range of barriers to become part of the labour force and seek jobs that will suit their abilities. There are more Australians today that have been unemployed for more than 52 weeks than there were one year and even five years ago, despite the total number of unemployed being well down.¹⁴ With more than one in five job seekers having been in the system for more than five years¹⁵, the challenge is to reduce their barriers, as well as increase their motivation, sense of self-worth and job readiness.

More Australian women are participating in the workforce than in the past but more needs to be done, with female participation rates still lagging males by about 8 percentage points. Workforce participation dips for women in their thirties, when many start having children. When women with children do undertake paid work, they are much more likely to work part-time than in comparable OECD countries.¹⁶ This is not necessarily by choice — Australian women have one of the highest rates of involuntary part time employment of all OECD countries. The pre-COVID female participation rate (2019) in Australia was 61 per cent,



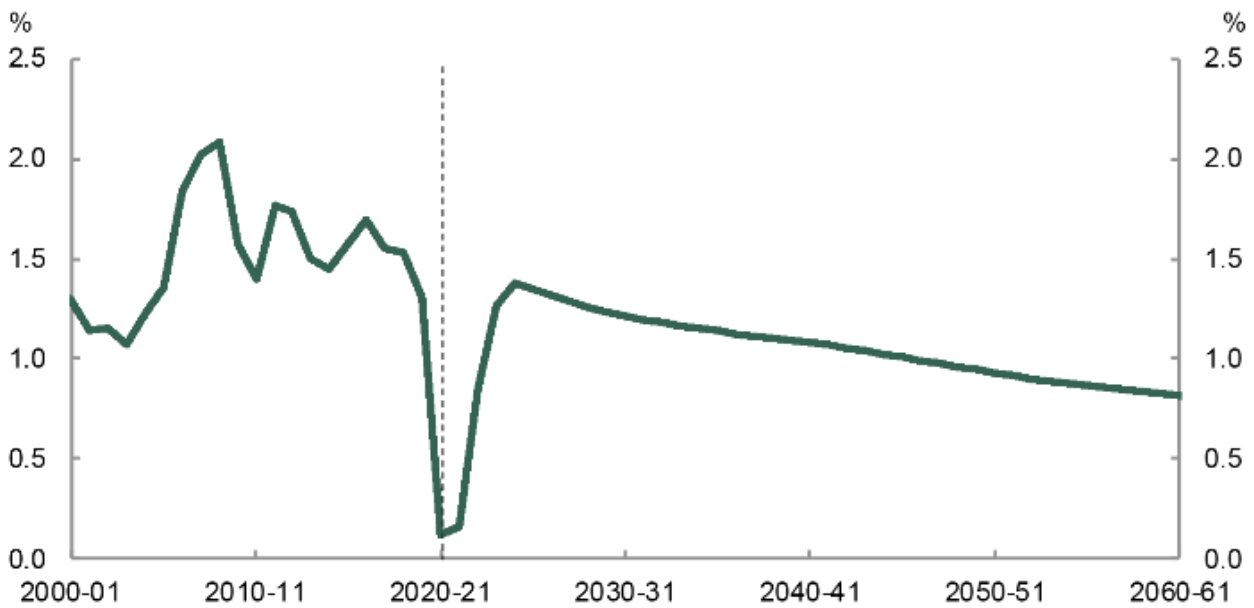
compared to a male participation rate of 71 per cent. This compares with a female participation rate of 65 per cent in New Zealand, where the male participation rate is also higher at 75 per cent.

The participation rate of people with disability is also lagging that of the general population. The participation rate of people aged 15 to 64 with disability is estimated to be 30 percentage points lower than people in the same age range without disability.¹⁷ The participation rate decreases with severity of the disability, with a participation rate of 27 per cent for those with profound or severe disability, compared with 55 per cent for those with moderate or mild disability.¹⁸

The youth unemployment rate is more than double the overall unemployment rate, at 9.3 per cent compared with 4.0 per cent.

The youth unemployment rate is more than double the overall unemployment rate, at 9.3 per cent compared with 4.0 per cent.¹⁹ Nationally in May 2021 only 73.9 per cent of 17–24 year-old school leavers²⁰ were fully participating in education, training and/or employment. There is definitely scope for improvement. These young people are a vitally important part of the labour market. Failing to support young Australians now will not just have immediate ramifications in terms of the current skills and labour crisis but will diminish Australia's long-term labour force productivity.

In relation to mature age workers, there is an army of older workers receiving the Age Pension with the skills Australia needs but who are currently disincentivised to engage due to the pension income test. The current Work Bonus provides only limited benefit for a pensioner considering a return to the workforce, as it allows them (at best) to work only one day per week (at minimum wage) before their pension is reduced. The settings are confusing, and it is readily believable that pensioners are not willing to take the risk.



Source: ABS National, state and territory population, September 2020, and Treasury.

Figure 2: Australia's population growth, Intergeneration Report

Demographic changes

The 2021 Intergenerational Report (IGR) identifies three concerning trends for the economy.²¹ Australia's population is expected to grow slower and age faster, with slow economic growth and productivity predicted for decades to come. This will present significant challenges to simply maintain, let alone improve, national prosperity and the way of life we are all accustomed to without deploying policies to change the predicted population forecasts.

The ageing of the Australian population and falling fertility rates mean that across a wide range of industries, a significant number of workers have either retired or are about to retire, leading to substantial long term participation issues.

COVID has had a tremendous impact on the future of our workforce availability with population growth in 2020-21 reduced to a low of 0.1 per cent, the slowest growth in over a century.²² Figure 2, reproduced from the IGR, shows the drop in growth and the continued downward trend in growth until 2060.

Labour mobility limitations

The ability for labour to easily move to the location it is required to engage in the market is key to connecting employees and employers. The current labour mobility limitations are compounded by existing issues and the impacts of COVID. As Figure 3 demonstrates, the sheer size of Australia combined with its relatively small population presents its own unique set of challenges. Approximately 72 per cent of our population is located in our capital cities and most live within 50 kilometres of the coast.²³

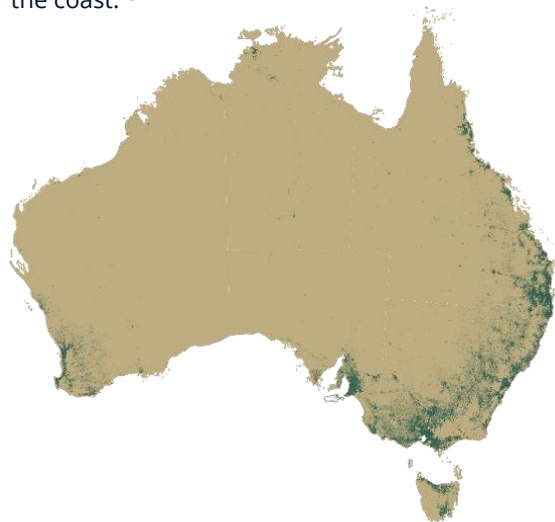


Figure 3: ABS Graphic Illustration of the distribution of Australia's population²³

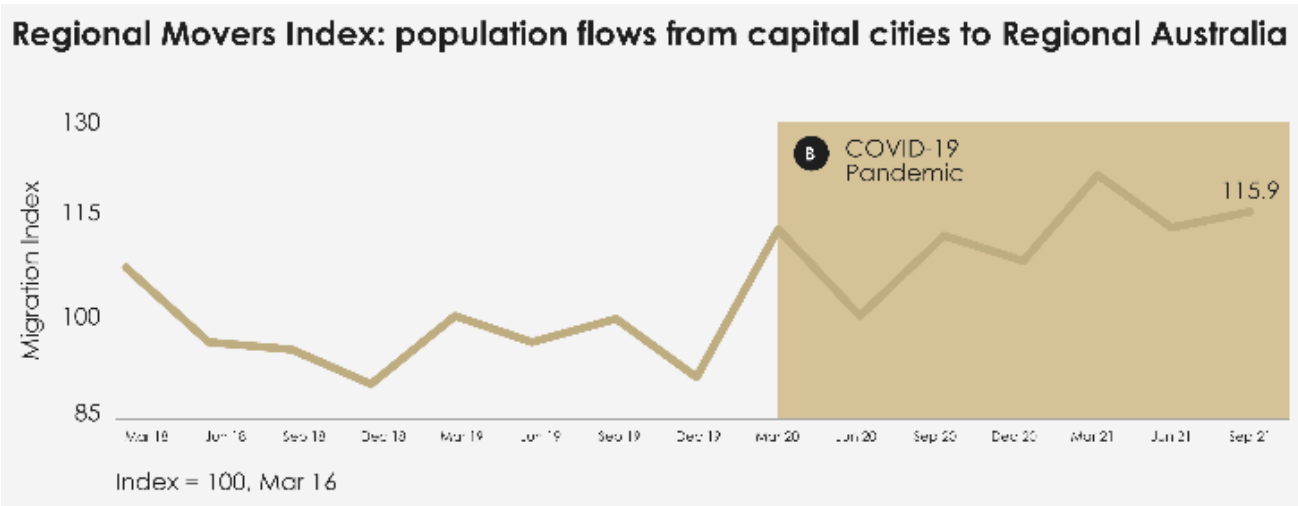


Figure 4: Regional Movers Index, Regional Australia Institute²⁵

The past two years have seen the largest internal migration from cities to regional areas since records began in 2001.²⁴ Unfortunately, this has not addressed many of the existing labour force issues, and in many instances placed further strain on existing infrastructure as most who have moved have seized on the opportunity to work remotely from home, earning a city salary in a regional location, as figure 4 demonstrates. This migration of workers has driven increased rents and reduced housing availability for many regional workers.

A job seeker not only has to have the right skills and experience for a vacancy, but in some cases also be both willing and able to move to take up the job opportunity. Willingness is impacted by desire to stay connected to family or existing lifestyle, and ability to move can be impacted by low availability of housing, loss of access to childcare, and the cost of moving (including disincentives such as stamp duty).

These barriers are difficult enough when considering permanent work shifts, but they are often insurmountable when making decisions about moving to take up seasonal or temporary work, or when personal resources are low, for example, after long periods of unemployment. Compounding the problem, regional communities often suffer from skeleton public transport offerings and a lack of housing options in general, for single people or families.

The cost of housing is having a significant impact on connecting employees with employers, with recent increasing rental prices across Australia pricing skilled but low-income earners out of the market.²⁶ There is a serious housing affordability crisis when Australians, who have some of the highest wages in the world, are not able to afford housing. The rental prices in major cities across Australia have steadily increased over the past three years, as Figure 5 highlights, in some cases by as much as 28 per cent a week.

City	Dec-18	Dec-21	Increase
Sydney	\$540	\$600	11%
Melbourne	\$440	\$445	1%
Brisbane	\$410	\$480	17%
Adelaide	\$380	\$450	18%
Perth	\$360	\$460	28%
Hobart	\$420	\$500	19%
Canberra	\$560	\$675	21%
Darwin	\$500	\$600	20%

Figure 5: Rental unit increases in major cities between Dec 2018 to 2021²⁷

More than one third of Australia's workforce is employed outside capital cities, but employers in regional locations continue to report difficulty recruiting. Generally, they are filling a lower proportion of their vacancies and are attracting a smaller number of applicants. Risks here include employers employing under skilled employees on the basis that it is the only labour available in a local area.

Solutions – a three-pronged approach

To overcome Australia's skills and labour shortages requires a holistic workforce approach – bringing together policy solutions that address skills development, participation, and migration. This workforce approach needs to be underpinned by ongoing strategic workforce planning that identifies current and future skill and labour needs as well as shortfalls in education and training outputs, funding and migration.

It is vital that workforce plans look at both demand and supply, the latter being the outputs from education and training, those re-joining the workforce as well as migration. We should not view Schools, VET, higher education, and employment services separately, rather an integrated approach should be undertaken.

With the formation of the National Skills Commission (NSC), there has been a consolidation of labour market analysis and forecasting to ensure decisions regarding skills and training needs, skilled migration occupation lists and employment policy and programmes are informed by data and evidence from state/territory as well as national levels and, most importantly, industry.

With the proposed approach to strategic workforce planning through the soon to be established Industry Skills Clusters, there is an opportunity to formalise the link between the proposed clusters and the NSC with collective effort to produce a biennial National Workforce Strategy.

1. Skills

To make a smarter Australia with skills for now and the future we need an education and training system that grows our skills base, supports a knowledge economy and maximises the contribution of business to our national prosperity and development. All sectors of our education and training system need to be both effective in the quality and relevance of the skills they deliver, as well as efficient in ensuring the best possible return on public and private investment.

VET funding overall

The Vocational Education and Training (VET) system plays a critical role in skills development across Australia but a lack of consistent funding by all Australian governments has seen the number of funded students decline. VET is highly valued by employers due to its emphasis on practical job skills required in modern workplaces, and for many occupations a VET qualification is compulsory. VET needs to be industry-driven and responsive to changes in industry's needs. It has long since expanded beyond the public perception of "trades" and is providing successful transition pathways from school to work and for those looking to change careers or upskill.

Over the last decade, VET funding of qualifications, largely done by State and Territory Governments has been inconsistent, with significant differences across states for the same qualification, and also unacceptable changes in total funding, and cost shifting between the commonwealth and state and territory governments.²⁸

While acknowledging the significant increase in short term investment by the Federal government during the pandemic, VET funding by all Governments over the last decade has moved up and down at the same time as there has been substantial increases in funding for early learning and schools, and a relatively consistent rise in higher education. There needs to be a strategic overhaul in the roles of the Commonwealth, State and Territory Governments in all levels of education and training to minimise duplication and cost shifting across the system and create a more efficient, effective and better articulated VET system.

The new National Agreement on Skills and Workforce Development (NASWD) offers the opportunity to put in place a long-term funding solution for VET that delivers real growth as well as greater consistency and certainty. The recognition of the need for improved funding for VET is apparent in the signing of the Heads of Agreement in 2020, ahead of the new NASWD to be

finalised in the first half of 2022, that all jurisdictions commit to a real funding increase in VET.

As Figure 6 shows, the number of VET students funded by governments over the last decade has fallen, with the recent relatively modest increase due to apprentice increases and JobTrainer partnership funding in response to the pandemic. As part of the new agreement, governments should target for at least an increase of 400,000 students funded per annum to demonstrate they are serious about VET.

model is highly valued by employers, the business case for taking on an apprentice had been in decline.

Out of all VET qualification options, apprenticeships and traineeships have the best graduate employment outcomes, and they also outperform many higher education options.³¹ They deliver a long-term economic dividend for both the community and the individual. For many occupations, such as plumber or electrician, an apprenticeship is the only pathway to becoming a licensed tradesperson, reinforcing the importance of

Government Funded VET Students 1988 to 2020 (000's)

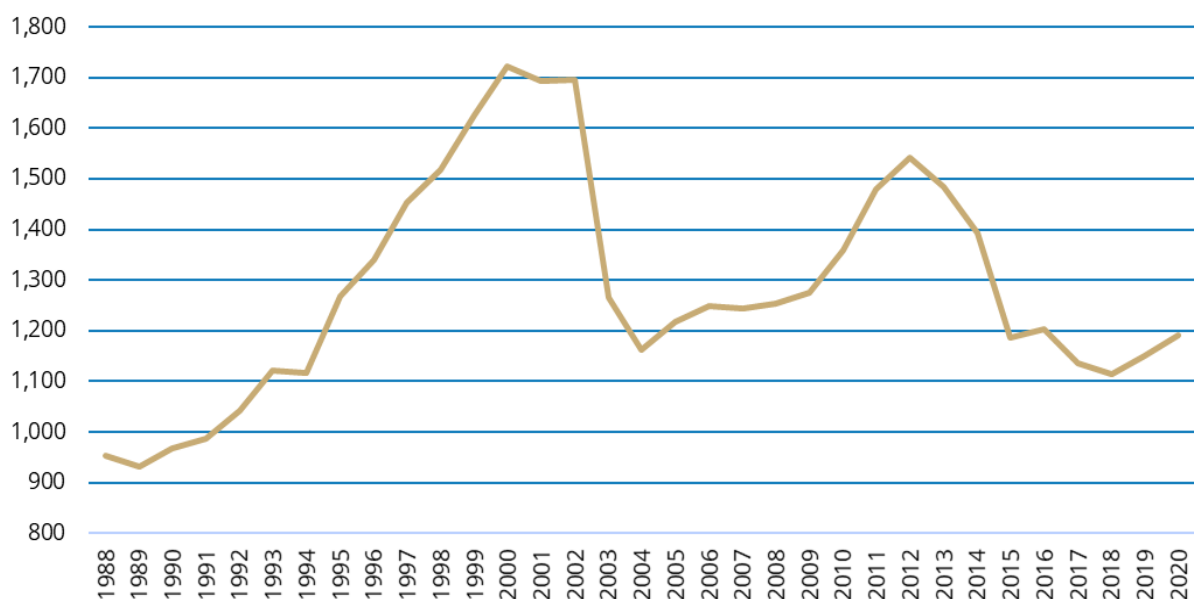


Figure 6: Government Funded VET Students, Australia 1988-2020²⁹

This public funding needs to be sufficient to enable quality delivery in both public and private VET providers and be responsive not just to skill shortages, but to fill the skill needs across all sectors of the economy.

Apprenticeships

Australia has never had a greater need for apprentices and trainees. Apprenticeships and traineeships provide pathways for school to work transition as well as a valuable career change avenue, combining structured learning alongside work experience within a model where the student receives remuneration, and the employer has access to pay rates that reflect the work/training nature of the employment relationship.

Prior to COVID, we were in the midst of an apprenticeship drought³⁰. Although the apprenticeship

continuing to invest in apprenticeships to meet the skill demands in these areas.

It is clearly understood, in industry and in government, that any significant break in apprenticeship training cycles can take over five years to see a sustained labour force recovery which is why a holistic approach to the skills shortage now is so important.

After the peak in 2012, apprenticeship and traineeship commencements had been in a steady decline until the COVID-19 pandemic saw the introduction of and subsequent extension of the Federal Government Boosting Apprenticeship Commencements (BAC) program which provided employers a 50 per cent wage subsidy for the first year has been highly successful in reversing the downward trend in apprentice numbers at a very difficult economic time (as can be seen in Figure 7).

The BAC program, due to conclude in March 2022, provides clear evidence that improving the business case for an employer to take on an apprentice results in commencements increasing.

A commitment to provide wage subsidies beyond March 2022 will provide certainty for employers and allow them to plan for the future so they can replenish skills and confidently employ apprentices. Returning to the pre-COVID levels of incentives will not be sufficient to provide employers with a positive business case to take on apprentices.

prohibitive as they cannot compete with the apprentice wage of a 17- or 18-year-old.

Strengthening apprenticeship/traineeship pathways

A better system around pre-apprenticeships programs should be developed to allow for easier access to apprenticeships. There is not a one-size-fits-all occupations approach to pre-apprenticeships, and industries place differing value on them. A national industry apprenticeship advisory board would provide

Apprentice & Trainee Commencements ('000) 2012 - 2021

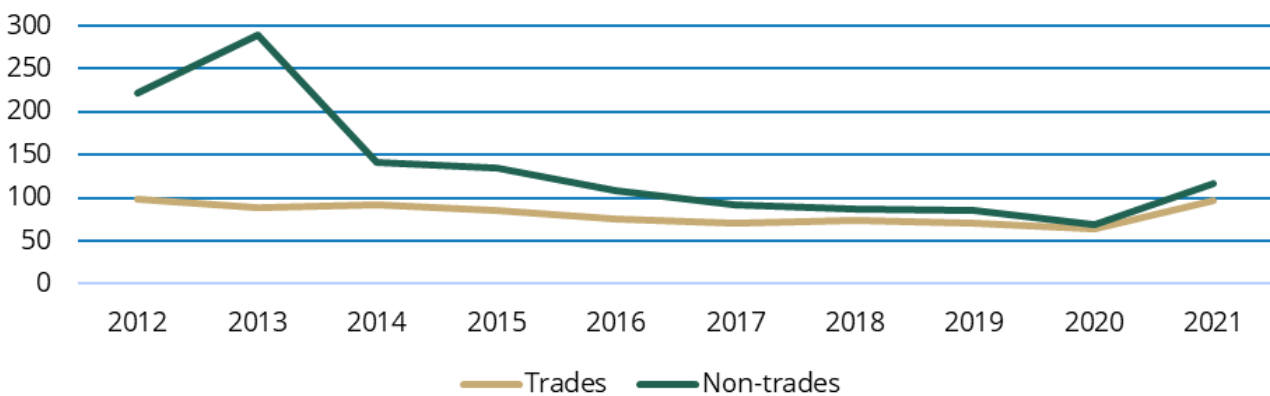


Figure 7: Apprentice and Trainee Commencements, 2012 – 2021³²

While it is not fiscally feasible to retain the current level of 50 per cent subsidy across the board, the BAC should continue to operate beyond March 2022 at a level of at least 30 per cent (and 50 per cent for sectors with significant revenue loss) for the next two years as we recover from the impact of the pandemic. As the Completing Apprentice Commencements, which provides subsidy beyond the first year for trade apprentices, complements the BAC program, we recommend it is also continue at least for two years.

Wage subsidies have proved to be the most effective form of support as they recognise the variable cost of employing an apprentice or trainee, including the extra costs of adult apprentices. Many women commence traditional trade training a lot later than their male counterparts due to biases that may have existed in secondary education. For many industries, there is a willingness for employers to engage more mature aged apprentices, but without wage subsidies it is usually cost

all governments with much needed advice on how to provide the best pathways into their occupations.

Vocational Training for School Students

VET delivered to school students is another important area where further action is required to improve the return on public investment. Although there are some very successful examples of VET at schools, it is not useful that many students are undertaking training that employers don't value and don't lead to jobs or link to further education.

VET for school students should enable students to gain nationally recognised qualifications while at school and provide a pathway to further training or a job. However, there are too many courses offered as "VET" by schools which do not come from the industry approved training packages but are courses the schools have sought to have accredited locally to suit their particular facilities or VET providers. There have also been long held concerns

Completion rate for apprentices and trainees 2011-2020

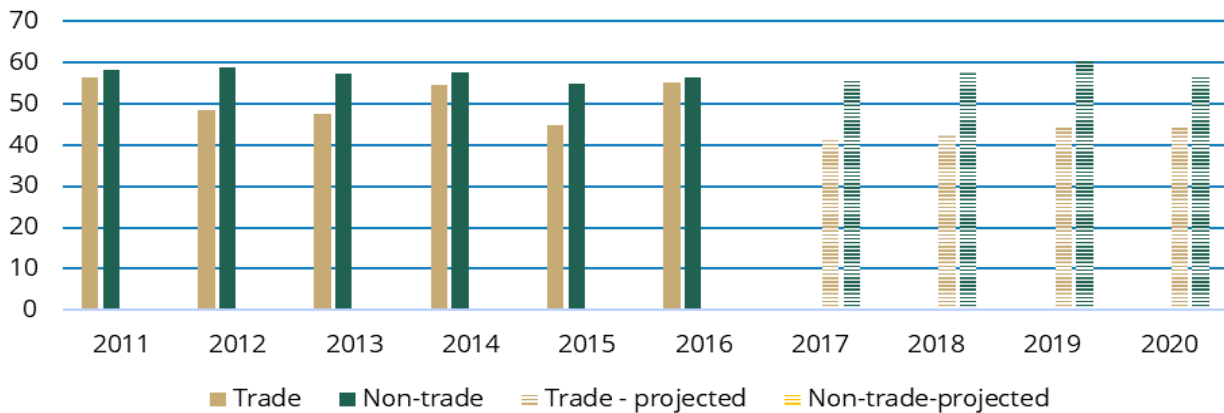


Figure 8: Completion rates for apprentices and trainees³⁴

that trainer quality or facilities are not of sufficient standard to deliver skills that employers respect.

In 2020, more than 241,200 secondary school students participated demonstrating the popularity of VET in Schools (VETiS)³³. For VETiS to deliver real results that connect students to qualifications that will lead to employment outcomes it is essential that industry, schools and governments work together within the community.

Vocational training for school students is largely the responsibility of state and territory governments, but it requires national leadership. The Federal Government is encouraged to fund a national process that:

- Identifies through consultation with industry the most relevant and useful vocational training to be delivered to school students (both in terms of qualifications and quality of delivery).
- Examines the barriers to school-based apprenticeships while working with industry, school sectors and states to improve opportunities.
- As a complement to VET delivery, explore the possibility of applied learning elective subject(s) in Year 11 and/or 12 that allows students to apply academic learning in practical contexts and incorporates pre-apprenticeships or VET pathways that will better articulate to further education and apprenticeships beyond school.
- Establish a National Apprenticeship Advisory Board, for apprentice policy generally and to provide valuable input into the most appropriate school-based pathways to industries.

Addressing apprentice completion rates

Increasing the percentage of apprentices who complete their qualification is an important policy objective, but too often the issue dominates policy thinking and in a misleading way.

As Figure 8 shows, there is a difference between trainees and trade apprentices, reflecting the short duration of traineeships. The policy discussion should focus on trade apprenticeships which are often for four years. Many Australians do not spend that amount of time with the one employer in any job, with a 2019 survey reporting only 22 per cent of Australians have been in their role for 3-4 years, yet the expectations for apprentices often seem higher than the ones put on the rest of the population.

Where non-completers have substantially completed their training, they have valuable outcomes that add to the skills base and benefit the economy. For example, an apprentice chef with a couple of years training can gain fulltime work as a cook, providing a valuable role in the hospitality industry. An apprentice bricklayer can be highly valuable to the construction labour market well before apprenticeship completion. Particularly when the labour market is tight, apprentices who are not aiming for a licence can be lured to financially attractive jobs, and completion rates fall. Despite this valuable contribution to the skills base, it is still preferable for an apprentice to complete their training so the balance in apprenticeship policy that encourages completions remains important.

Good policies and programs can improve completion rates for trade apprentices with a starting point being to maintain the emphasis on commencements. You cannot hope to raise completions without raising commencements.

Better completions in trade apprenticeships can also be achieved through:

- Pre-apprenticeship/traineeship and/or work experience opportunities which allow prospective individuals to experience their potential field.
- Funded mentoring programs as demonstrated by increased trade apprentice completions in the period around 2014-16 after a major federal government funded mentoring program commenced in 2012.
- increasing the number of trainers available in RTOs as the supply is currently not matching demand resulting in course delays or cost and time in accessing available training.

The recently drafted VET Workforce Strategy needs to have a greater focus on attracting industry practitioners as they are already experts in their field. With industry urgently seeking more trainers with recent industry experience, it becomes questionable whether the current Certificate IV in training and assessment is an appropriate gateway for these experienced practitioners, or whether skill sets are sufficient within a provider workforce where others fully trained in delivery and assessment are available. The qualification needs to feel relevant to those experienced practitioners – at present the compulsory need to undertake the full qualification is a barrier to entry, particularly for those who remain in full or part time employment in industry. The Certificate IV is not the only mechanism to assure quality.

Higher Education

Australia's higher education sector is well regarded worldwide and is very popular with both domestic and international students.

Most students undertake higher education for the career opportunities they will be able to access once qualified. Often a university degree is the only way to be able to work in key fields such as engineering, medicine, nursing, sciences, teaching and law. As of 2021, 33 per

cent of Australians hold a bachelor degree or higher qualification, an increase from 9 per cent in 1991.³⁵

The large drop in international student numbers due to international border closures has had a direct impact on the budgets of many universities around Australia, with an estimated \$4 billion lost in 2020.³⁶ Although students have started to arrive, it will take some years to recover, particularly as there is evidence that many international students are choosing to attend universities in the United States and Canada rather than Australia due to the impacts and lasting impression of border closures³⁷.

The Job Ready Graduates higher education reforms has been operational since 2020 and the principles of the legislation and its passage through parliament were supported by industry. There was some concern expressed by industry sectors such as engineering that a reduction in funding arising from the restructuring of the funding bands may lead to less positions being made available or lead to poorer quality delivery. If these concerns come to fruition, there will be a need for additional funding for these key areas to meet the needs of the labour market.

An important contributor to improving job readiness for university graduates is the opportunities they have to integrating work experience with their learning, and it was good to see that Work integrated learning (WIL) was a key component of the recent reforms. Ironically, given all the focus on science and maths skills, those disciplines have lagged behind others in embedding WIL into their courses and it shows in their graduate employment outcomes, with full time employment outcomes for science and maths graduates being 61% in 2021 compared with an overall average of 70%.³⁸ This illustrates the need to focus on those disciplines where there is not a strong history of WIL.

As an extension of WIL, the higher education sector is strongly encouraged to work with industry to identify more cadetship opportunities, tailoring courses to be a combination of work and study similar to an apprenticeship (but purposely not calling this option "higher apprenticeships" as this term has caused confusion). Cadetships will not suit all occupations and industries, but the limited experience to date is encouraging.

The imperative to improve WIL, the opportunity for cadetships and the relatively poor performance of industry-university research collaboration all point to the

need to improve the voice of industry in higher education. As part of workforce planning and the implementation of skills clusters, it is essential that higher education institutions are included in the process and act on the advice from industry about where the skill needs are and to design and market their courses that best meet workforce needs.

Potential students looking to enter higher education should also be well informed about their choice of course and career. It is essential that students are provided with information on the likelihood of employment in a subject area prior to enrolling in a course of study. The graduate outcomes and student satisfaction surveys are both valuable resources, but they need to be more widely marketed to school students and others that are seeking a career change.

Lifelong learning

The adoption of a lifelong approach to learning and skill development will enable employees to better equip themselves with the new and emerging skills needed to keep pace with the changing nature of work and help businesses adapt to the future of work, including any technological advancements.

Lifelong learning not only better equips the workforce for the careers of the 21st century and ensures businesses can remain cutting edge and internationally competitive but has been found to be beneficial both for the business in terms of productivity, and for the employee in terms of wages.³⁹

There is scope to further promote lifelong learning and the benefits it can bring for both employers and workers to encourage more to take part. Australia needs to foster a culture of upskilling throughout a person's career, rather than the traditional route of undertaking training in your 20s, working, then retiring.

The current policy settings present some roadblocks and room for improvement, with external training that is shorter and that provides targeted skills development preferred by 52 per cent of businesses.⁴⁰ Workers also show a strong preference for shorter courses because they can build specific skills without committing to a full degree qualification.⁴¹ The increased focus on micro-credentials, including access to public funding support, is an important development particularly for valuable VET skill sets, postgraduate qualifications, or short courses that stack towards qualifications. This makes further learning more attractive for those juggling work and life commitments and would ensure the incentive of working towards a tangible achievement remains.

We should also provide incentives for individuals to continue self-education. In Singapore, for example, all citizens are provided with a set credit for approved lifelong learning of \$500 per year, with top ups available for those over 40 years old to improve individuals' access to career transition programmes.⁴² This could be considered in Australia, or alternatively Government could expand the tax deductibility for self-education expenses so that an individual can claim not only training expenditure relevant to their existing job role, but to future income.



Recommendations relating to Skills

- Take a holistic workforce approach, and fund the National Skills Commission to undertake, including through formal links to the new Industry skills clusters, a biennial National Workforce Development Strategy which looks at labour market demand and supply across the entire education and training system.
- Commit to long term consistent and real funding increases for VET which delivers an increase in the number of VET funded students by 400,000 per annum across all qualifications, AQF levels and industry sectors to satisfy not just skill shortages, but skill needs.
- Fund apprenticeship wage subsidies beyond March 2022 at least for the next two years at the following level:
 - A wage subsidy of 30 per cent for 12 months for both trade apprenticeships as well as 2-year traineeships
 - A wage subsidy of 30 per cent for 6 months for one-year traineeships
 - A continuation of the current wage subsidy level of 50% per cent for those businesses who in the six months to December 2021 were over 30 per cent down in turnover compared to pre-COVID trading.
 - Continue the Completing Apprentice Commencements as a wage subsidy of 15% for 2nd year trade apprenticeships.
- In consultation with industry, identify the most relevant and useful vocational training to be delivered to school students (both in terms of qualifications and quality of delivery) and identify the barriers to school-based apprenticeships.
- As a complement to VET delivery, explore the possibility of applied learning elective subject(s) in Year 11 and/or 12 that allows students to apply academic learning in practical contexts and incorporates pre-apprenticeships.
- Establish a National Apprenticeship Advisory Board.
- Raise apprentice completion rates by continuing to focus on commencements, improve pre-apprenticeships; fund mentoring programs and ensure there are sufficient courses and trainers available to meet the demand.
- Review the training and assessment qualification required for experienced industry practitioners to encourage more experienced people to become full or part time VET trainers.
- Increase funding to ensure higher education students are aware of graduate employment and salary outcomes for both VET and higher education courses.
- Expand the focus on micro-credentials to support opportunities for flexible learning and training.
- Provide incentives for individuals to continue self-education, such as a set credit for lifelong learning or an expansion of tax deductibility for self-education expenses.

2. Increasing Workforce Participation

In times of low unemployment, a stronger focus is needed on assisting those who face specific challenges to enter the workforce as part of a whole of workforce approach. There has never been a better time to tap into the wider pool of talent including the long-term unemployed, mature aged workers, youth, women and parents, and people with disability.

Better connecting the unemployed to work / Employment services reform

The job outcomes of the employment services system need to improve to better connect the unemployed to job opportunities. The implementation of the new model in 2022 must deliver truly enhanced services to those most in need, while better engaging employers in the system. There needs to be adequate funding that ensures the enhanced services to the long term unemployed reduce servicing ratios and makes a material difference to the outcome for these jobseekers.

We need employment services that understand and satisfy the needs of employers in each industry including providers working in partnership with industry bodies.

The new employment services system needs to better serve the needs of both job seekers and employers utilising the latest technology to provide better matching and links to existing vacancies.

We should encourage and reward collaboration between employment service providers to ensure that the best possible candidates are put forward for employers to consider as currently providers are not rewarded for accepting that the best possible candidate may not be from their pool. Provider payments could reward not just individual outcomes but their contribution to a range of collective outcomes of the system.

To overcome disincentives to work, we need appropriate mutual obligation requirements and to promote work as the best option. The new points system should provide

better opportunities to ensure job seekers are activated to find work, but at the same time recognises a wider range of activities that will achieve that outcome.

Replace PaTH with Training to Work

Since the Youth Jobs PaTH program commenced, ACCI has been strongly encouraging government to improve the outcomes of the model, including by making the training more vocational and more strongly linked to a job or hosted work experience opportunity. Unfortunately, many PaTH participants have undertaken the employability training as a standalone activity not connected to work experience.

The original concept advocated by ACCI prior to the introduction of the youth PaTH program was that a young person on the *jobactive* caseload undertake vocational training alongside of work experience in a hosted environment. At the end of the hosted period, the options for the employer were to take them on to finish their traineeship, or employ them outside of the apprenticeship system, or that the arrangement concluded so that the jobseeker could take their vocational skill set and experience and look for work elsewhere. We named this concept Training to Work – reflecting the link between nationally recognised training and work experience being a pathway to employment.

The PaTH program needs to be replaced by this model and it should be extended to other cohorts in the employment services system, such as people with disability and mature age jobseekers.

People with disability

Reforms to achieve greater workforce participation for people with disability should be bold and aim for a significant increase in participation rates, not just seeking to make a marginal improvement.

In terms of reforming disability employment, it is essential that more employers are aware of, and access the employment services that aim to assist people with disability to find work. The Disability Employment Service should be reintegrated into the core employment system, to create a more effective single contact service for employers and to maximise the value of the reforms being made to the core employment services.

Improvements should also be implemented aimed at supporting employers to recruit and retain people with disability, including targeted guidance about capacity for work, available support, and navigating legal obligations. A reformed and effective PaTH program should be extended to people with disability

Gap year program for young Australians

A pool of labour that can be more effectively utilised are school leavers who have yet to decide on the next big step and are potentially not interested in a gap year overseas. Often, young Australians who are not looking to travel overseas for a gap year rarely consider the benefit of doing an internal gap year within Australia.

A domestic backpacker program should be developed that encourages young Australians to work in a regional or remote area in the fields of hospitality, agriculture, construction, retail, and any other relevant industry where they will learn basic skills and gain valuable life experiences. It is a mindset shift for Australians to do this in their own country. The program will address the issues of mobility and the need for seasonal workers.

There is strong evidence that unemployed people who move between labour markets leave unemployment benefits sooner, but relocation programmes have not always been successful. Permanent relocation may prove to be less attractive for some people (whether employed or unemployed). However, offering young people an opportunity to become more mobile and go to where the jobs are may allow them to discover where they could settle in the long term.

Employers had been accessing overseas backpackers to assist in filling job vacancies due largely to a lack of willingness by the local labour market to fill these jobs. A possible reason why backpackers are more willing to do what may be seen to be less attractive or at least seasonal jobs is that they know it is only short-term and provides them with sufficient funds to move to the next area. Backpackers are also exposed to more variety of jobs because they are able and willing to travel to more remote and regional places.

To appeal to the domestic backpacker, the attainment of a level of qualification could assist with the appeal of the potential program. Tailored training could be provided focusing on skills that are useful for temporary or seasonal work. The Gap program could be for a period of six months to two years and target those aged 18 to

25 and include a financial incentive to assist them to access accommodation while mobile.

The anticipated outcome of this program is that school leavers could approach education or new careers with added maturity, and unemployed job seekers gain skills and valuable work experience resulting in long term work opportunities and a reduction in their income support dependency.



Careers information

To increase participation and achieve a great skills match amongst those entering or re-entering the workforce there needs to be better careers information to connect high school students, unemployed Australians, and career shifters to actual job vacancies.

It is a frustration for businesses that careers information provided is often incomplete or misleading, and those industries that rely heavily on VET graduates feel there is a strong bias in school careers advice towards higher education.

Many industry stakeholders are keen to ensure that more accurate information about the opportunities in their sector are available to potential jobseekers. However, given the large number of ever-changing careers advisers in schools and other contact points, the task of staying connected is logistically and financially impractical. A targeted platform or clearance house should be set up by government so that industry information can be available to careers guidance counsellors to ensure they have a proper understanding of the labour needs within their community or across the economy.

At the school level, it is also only through increased resources for schools to provide quality, unbiased and up-to-date careers education will we see an improvement. A lack of resources is a key factor limiting the quality of careers education and careers counsellors in schools. A National Partnership Agreement or Project Agreement on Quality Careers Education could be one mechanism of achieving this outcome.

Addressing the regional housing shortage

Although this is a major issue of which we can only scratch the surface here, it is clear that in order to unlock the potential of communities across Australia there needs to be additional investment in both city and regional infrastructure to ensure that there is the road and transport infrastructure to create sustainable and resilient towns.

In regional communities, housing options could be expanded by local councils reviewing town planning rules and allow for multistorey housing developments to be built. New developments could have a range of mixed-use housing in multistorey builds to provide those with lower income some housing solutions. Additional land in local government areas could also be released to allow for residential development.

Developers in regional areas could be targeted as there is a large amount of vacant land owned by developers but no housing being built, and potentially timeframes could be introduced to encourage the development of new housing rather than land sitting vacant for lengthy periods of time.⁴³

Mature age

There is an unacceptably high number of mature age women on the employment services caseload who have been unemployed for over two years.

There needs to be a very detailed understanding formed as to the barriers they are facing to employment, and a targeted approach with industry to secure work in occupations that are suitable to their abilities.

It is a frustration for business that careers information provided is often incomplete or misleading.

Currently those who are 55 years or older can choose to meet their mutual obligation requirements by doing an alternative activity, such as approved voluntary work. Volunteer work brings value, connection, and can also build skills to make someone more employable, as well as confidence to support people to return to the workforce. However, many of those who are volunteering are seeing it as a holding position until they are eligible for the pension, rather than as a pathway to paid employment. Policy settings should be considered that would encourage those undertaking volunteering to convert that into paid employment.

Aged Pensioners

There is an army of older workers with the skills Australia needs who would still like to work, but don't participate in the workforce as it reduces their pension. This is due to pensioners having their pension reduced by \$0.50 per dollar earned, which is far greater than the tax rate (zero up to \$18,200 then \$0.19 per dollar up to \$37,000 per year) when their income exceeds the threshold.

There is an army of older workers with the skills Australia needs who would still like to work, but don't participate in the workforce as it reduces their pension.

There is currently a Work Bonus of \$7,800 per year (\$300 per fortnight) and pension income test free threshold of \$180 per fortnight, allowing a single pensioner to earn an average of \$480 a fortnight (or \$12,480 per year) before their age pension is reduced. While this structure allows some flexibility, it provides only limited benefit for a pensioner considering a return to the workforce, as it allows them (at best) to work only one day per week (at minimum wage) before their pension is reduced.

To entice aged pensioners back into the workforce, the income free threshold and work bonus should be raised to allow pensioners to keep more of their pension when they earn income. In addition, to address the current skill shortage, as a temporary measure until June 2023, consideration should be given to allow Australians who were already in receipt of the aged pension as of 1 January 2022 to earn at a significantly higher rate before their age pension begins to be reduced, with the aim of bringing pensioners back into the workforce for 2 to 3 days per week.

Childcare

Despite significant additional investment made in recent years, more needs to be done to make it easier to access affordable childcare to attract a higher

participation rate from women and primary carers. The increase could be significant, with 272,000 people across the country last year reporting they were not in the labour force due to caring for children.⁴⁴

272,000 people across the country last year reported they were not in the labour force due to caring for children

The most common childcare service-related reason provided for not being in the labour force was the cost of childcare (26.7 per cent).⁴⁵ Subsidies need to increase to reduce the gap costs particularly for women at lower income levels.

Alternatives for upper income professionals should also be broadened to make it easier for them to juggle work and family responsibilities. Nannies are an important option in the mix of subsidised care as they can substantially alleviate the pressure that arises from engagement in highly productive work which may include long hours, and family responsibilities. Eligibility for the In-Home Care (IHC) program should be expanded to include families who do not meet the current criteria, but would benefit from participation in the IHC program, and who otherwise would be eligible for government assistance that would not be much different than in-home care subsidies.

A new visa arrangement for au pairs should be developed, with regulations that are more appropriate to the engagement of au pairs, rather than the working holiday visa which is not particularly fit for this purpose. This would enable pressures on working parents that extend beyond the need for children into a more general assistance at home to be better addressed.

As an alternative to increasing subsidies to higher income earners, the Government could consider the introduction of income contingent loans for childcare. This will allow families to spread the cost of childcare and return to work sooner than they otherwise would be due to cost limitations.

Women in diverse occupations

Women represent over 50 per cent of the population in Australia yet currently represent only 2 per cent of the trades' workforce. We need to tap into this potential workforce by tackling the stereotyping around trades that reduces the appeal to women in even applying for trade jobs. 63 per cent of employers said the biggest issue was women not applying for roles.⁴⁶ There is a need to revisit perceptions around working in industry, the type of work undertaken and the benefits of VET qualifications.

The number of females applying for apprenticeships is severely limited in part due to society's expectations of the kind of career a female will be good at and should pursue. This is evident in the gender composition of the labour force in key occupations as reflected in Figure 9. The social benefits for the economy when an increased number of women are employed is estimated to be

Women as a percentage of the workforce in selected occupations	
Bricklayers and Stonemasons	1%
Carpenters and Joiners	1%
Motor mechanics	1%
Plumbers	1%
Metal Fitters and Machinists	1%
Electricians	2%
Aircraft Maintenance Engineers	3%
Mechanical Engineering Draftspersons, Technicians	5%
Electronics Engineers	6%
Industrial, Mechanical and Production Engineers	7%
Electrical Engineering Draftspersons, Technicians	7%
Computer Network Professionals	8%
Architectural, Building & Surveying Technicians	11%
Surveyors and Spatial Scientists	13%

Figure 9: Percentage of female workers in "male dominated" occupations⁴⁸

worth as much as \$12.7 billion annually.⁴⁷ Aside from the financial benefits from employing more women in trades, it will also assist to fill our skills gap and labour shortages.

Although industry has repeatedly made efforts to increase the number of women working in these occupations, they are traditionally male dominated and continue to remain so. For example, the National Electrical and Communications Association (NECA) has had an ongoing targeted campaign to attract more women into their industry, female electricians still only make 2.1 per cent of all electricians. Also, the Master Builders Australia's Women Building Australia program in efforts to attract more women undertake initiatives such as careers pathway information, career expo stalls, resilience training, mentoring, ambassadors, female-led business register, influencers and more. There are many other examples within the ACCI network – making a difference but dealing with preconceptions that need to be changed at source through a whole-of-community response.

Addressing underemployment

The current part-time provisions in most awards governing employment conditions are rigid and unnecessarily prescriptive. They discourage employers from taking people on as part-time (instead of as casuals) and from offering additional hours of work to existing employees, many of whom want the option of extra hours and extra income. A critical pathway to enhance permanent employment and address underemployment is through agreed part-time flexibility to encourage ongoing jobs that also provide employers with the flexibility they need to adapt to changing circumstances and consumer demands.

This could be achieved through legislative reform which would allow an employer and a part-time employee to reach an agreement for the part-time employee to work additional hours, within specified limits, without the payment of overtime penalties. Integrity measures could be included to ensure the appropriate use of any such provisions and genuine agreement by employees. This would have the flow on effect of facilitating the opportunity to provide many part-time workers with additional hours and income that may not have otherwise been offered.

Recommendations on Participation

- Provide adequate funding for the employment services system to enable improvements that will better connect long term unemployed to job opportunities and ensure providers are encouraged to collaborate to put forward to employers the best possible candidates.
- The range of activities that count towards mutual obligation requirements should be expanded, including attending an interview.
- Replace PaTH with concurrent structured training and experience, *Training to Work*, and extend it to other cohorts on the jobactive caseload such as people with disability and mature age jobseekers.
- As part of the reforms to mutual obligation to provide greater flexibility for activity expected of those on the Jobseeker allowance, ensure that the obligations are sufficient to activate those able to work to seek suitable jobs.
- Reintegrate the public funded service for people with disability back into the core employment system and make improvements aimed at supporting employers to recruit and retain people with disability, including targeting guidance about capacity for work, available support, and navigating legal obligations.
- Introduce a Gap year program including training for a period of six month to two years which is targeted to everyone from the age of 18 to 25.
- Address regional housing affordability through boosting the first home buyers grants for those purchasing in regional areas, greater investment in regional infrastructure, encourage local councils to allow multistorey housing developments and release land for housing development and encourage the development of vacant land owned by developers.
- Allow pensioners to keep more of their age pension when they earn income by raising the fortnightly income threshold and increasing the Work bonus.
- Make childcare more accessible and affordable, with more options to assist parents to return to the workforce sooner.
- Implement part-time flexibility arrangements to make it easier for a part-time employees and employers to agree to that employee working additional hours, without the employer being financially penalised.

3. Migration

Temporary and permanent skilled migration, as well as international students and working holiday makers, are highly valuable components of our migration system in Australia. A strong migration uptake is one of the key policy levers available to address workforce shortages that cannot be filled by Australians or that require highly specialised skills, to grow our country's workforce, and drive our post-pandemic economic recovery.

In Australia's post COVID environment the fast and efficient attraction of skilled migrants to our shores is critical in our rebuilding, sustainability and productivity pursuits. Previously regarded as world leading and a competitive advantage for Australia,⁴⁹ our skilled migration system particularly in the last few years has become overly complex and expensive. We should be planning now to restore the migration settings to an even stronger position post-crisis, ensuring Australia's skilled migration system meets the skill needs of Australian businesses and is fit-for-purpose for the long term.

Implementing reforms to improve the accessibility and responsiveness of Australia's migration program will not only fill critical skills and labour gaps, but it will help

employers grow and create Australian jobs, setting us all up for a brighter future.

This is not to the detriment of Australians. Just last year, 51 of Australia's top economists overwhelmingly rejected the myth that cuts to permanent migration can drive up wages.⁵⁰ Rather, it was found that skilled migration boosts productivity, and that in turn is a crucial precondition to drive wages growth. Another study has found temporary skilled migrants boosted the wages of lower-skilled Australians by prompting them to move up into higher-paid jobs.⁵¹

Recent research has found migration has little overall impact on the employment of existing workers, with migrants both taking and creating jobs.⁵² This is partly because new arrivals consume goods and services, for a while at a greater rate than Australians who have been here longer.⁵³ By buying more, they add to the demand for goods and services, and for workers to produce them.⁵⁴

Despite the views of some commentators, Australia's current low unemployment rate is not largely a product of restricted migration. As the RBA Governor pointed out in early 2022, Australia's current low unemployment rate and wage rises have been found to be due to the large fiscal stimulus and the monetary policy support during

"We always try to hire Australians first. Even to the point if someone doesn't possess the full skill-set, we will interview and trial the applicant and then up-skill them before using skilled migration. I've had a recruitment advertisement running for 11 months straight and not a single Australian has applied for the job."

"We typically have one apprentice in each store. It's very costly to remove a chair for an apprentice to learn on and have a senior barber train them – probably around \$10,000 a week when we are running at capacity"

"No matter how many apprentices we employ, we still don't have enough qualified hairdressers to cover the gap. As a result, apprentices often get poached by other barbershops either during their apprenticeship or soon after they complete because there's so much competition for skilled workers."

"This is holding me back from creating jobs and growing my Australian business. If I'm not able to take on migrant workers, I'm not able to create jobs for Australians either. I see migration as part of the solution to address the skills gap along with education and training of the Australian workers. If we do not use it as a tool to cover the skills gap we are able to contribute to the economy, offer Australian jobs and grow."

Renee Baltov, Owner of The Barberhood Men's Grooming and Barbershop in Sydney CBD

the pandemic, not as a result of closed international borders.⁵⁵ In Europe and the United States where borders remained open, unemployment also fell to near historic lows, suggesting it was something other than closed borders that caused it.⁵⁶

Skilled migrants on average make a lifetime contribution of \$198,000 to Australia's finances, compared with an \$85,000 cost for the general population.⁵⁷ Primary employer-sponsored visa holders contribute up to \$557,000.⁵⁸

In Australia's post COVID environment the fast and efficient attraction of skilled migrants to our shores is critical in our rebuilding, sustainability and productivity pursuits.

Prior to the pandemic, the decision to reduce the permanent migration intake by 30,000 to 160,000 already was having a negative impact on business' ability to fill skills gaps. The current crisis has exacerbated these problems, effectively halting Australia's migration program for two years resulted in significant gaps arising from business growth or replacing a departing worker.

As an immediate measure, we need the planning levels and government effort to facilitate the bringing in of additional talent and skills, with an aim of replenishing the migrants lost with recommended target of 200,000 skilled migrants each year for the next two years. Australia's leading economists have overwhelmingly endorsed a return to a high immigration intake and believe a "catch up" in terms of migration intake will show Australia is open to the world.⁵⁹

Measures such as those announced in early 2022 to attract more working holiday makers and international students need to continue in order to alleviate labour shortages in specific regions and industries.

As an important complement to the effort to attract skilled migrants, we need to ensure we process them in a timely way. It is reportedly taking three times longer



to process skilled visa applications than before the pandemic, leading some overseas workers to take jobs in other countries.⁶⁰ Appropriate resources must be allocated so that Australia does not miss the opportunity to fill skills gaps with talent choosing to go to other countries due to delays in visa processing.

Employer sponsored skilled migration, both permanent and temporary, should again have access to all occupations that are classified as skilled, reflecting the situation prior to 2017. This ensures the system is responsive to all skill needs, not just national skill shortages (see page 4). There have been many examples including floor finishers, hot air balloonists, industrial glass blowers and others, where occupations, particularly in niche but important areas, have been removed from access to skilled migration or became eligible only for short term visas with no pathway to permanency. This has had a very negative impact on those businesses which can no longer access the skills or compete for global talent. There is no evidence that removing these occupations created job opportunities for Australians, and much evidence to show how business growth and job opportunities for Australians have suffered due to the changes made to the occupations eligible for migration.

A pathway to permanency for all temporary skilled migrants was another fundamental strength of the system prior to the 2017 and this should be restored. This increases Australia's global competitiveness in the fight for talent and ensures the best and brightest are attracted and retained. It also has a positive impact on business, reducing employee turnover and enabling businesses to plan long-term.

"We provide training not only to our own staff but also externally to other companies. We've put about 50 people through that training in the last 12 months.

"Even with these training facilities, RIGCOM has found it has had to sponsor specialists from overseas. However, without a speciality skills visa classification for this type of trade, the process has been extremely slow and expensive and otherwise highly skilled (but non-degree qualified) technicians that would be great assets to the wind energy industry are not able to bring these skills here at this time.

"One of our biggest challenges is getting access to blade technicians for major repairs (Category 5). People need a lot of experience to not only do the Category 5 work but also to train other people to do this work and pass on the experience in the process. You cannot do all your learning in the classroom and expect the skills transfer to be effective. We just don't have access to enough of these people in Australia."

Michael Biddle, Managing Director
RIGCOM – an engineering and Infrastructure Servicing including Wind Turbines



Recommendations on Migration

To ensure we can utilise migration as an effective tool to address our skills and labour shortages we need to:

- Increase the permanent migration intake, including a significant increase in the cap for skilled migration to 200,000 for the next two years at least, to replenish the skills lost during the pandemic.
- Ensure access to all skilled occupations for employers nominating workers under the employer sponsored temporary and permanent skilled streams.
- Extend the current rebate program to attract more working holidaymakers to ensure they view Australia as an attractive destination and can help fill acute workforce gaps.
- Implement longer temporary graduate visas of four years to attract and reward high performing students, particularly in areas of greatest skill needs.
- Enable pathways to permanency for all temporary skilled migrants.
- Improve processing times and reduce regulatory red tape, including removing labour market testing for skilled occupations based on the lack of evidence of its effectiveness.
- Reinstate the Industry Outreach Officers program to support industry and business to navigate the increasing complexity in the system.
- Ensuring any increase to the Temporary Skilled Migration Income Threshold (TSMIT) is modest so as not to exclude an occupation that might otherwise be eligible for skilled migration.
- Suspend the Skilling Australians Fund levy at a minimum for the next two years as Australia recovers from an unprecedented pandemic and halve it thereafter.
- Implement a fit for purpose visa for au pairs, to remove pressures on working parents that extend beyond the need for childcare into a more general assistance at home.
- Maintain the temporary relaxation of working hours for existing student visa holders while there remains a critical labour shortage.

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