



Australian Government



Australian  
**Small Business and  
Family Enterprise**  
Ombudsman

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National Skills Needs List Review  
Skills branch  
Department of Employment, Skills Small and Family Business  
CANBERRA ACT 2600

**via email:** [nsnlreview@employment.gov.au](mailto:nsnlreview@employment.gov.au)

Dear members of the NSNL Review

### Review of the National Skills Needs List

Thank you for the opportunity to contribute to the review of the National Skills Needs List (NSNL). The present mechanisms for recognising skills demand and forecasting future demand do not effectively address the breadth of skills needed by small businesses business now or into the future.

The number of apprentices in training has been almost halved since 2012. With a slight upturn in apprentice employment by small businesses since 2015, small businesses are now the largest employer of apprentices in Australia.<sup>1</sup> Skills shortages tend to have a greater impact on small businesses who rarely have the capacity to offer the high wages to attract new employees. We are already seeing small business owners having difficulty in recruiting skilled workers with 45 per cent of small businesses surveyed in 2018 noted difficulty in recruiting.<sup>2</sup> The NAB Quarterly SME Survey has consistently ranked the *availability of suitable labour* as the second most significant constraint on growth for the last eight quarters<sup>3</sup>.

To reduce the impact of future skills shortages and the constraints they place on small businesses, we recommend that the review of the NSNL considers:

1. Establishing a consolidated National Skills Needs list that reflects the reality of skills demand across the economy and takes into consideration the particular needs of regional areas;
2. Recognising the role apprenticeships (especially in non-trades areas) can play in facilitating a transition to sustainable employment for those outside the workforce;
3. Establishing targeted incentives for small businesses to encourage the employment of apprentices;
4. Restructuring incentive payments to recognise and offset the reduced productive capacity of an apprentice in the early stages of training; and
5. Examining pathways for training existing workers to assist businesses in areas of structural adjustment or expanding into new markets, again taking into consideration the particular needs of regional areas.

Further analysis of key issues and recommendations are detailed in Attachment A.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Stephen Bolton on 02 6121 3639 or at [stephen.bolton@asbfeo.gov.au](mailto:stephen.bolton@asbfeo.gov.au).

Yours sincerely

**Kate Carnell AO**  
Australian Small Business and Family Enterprise Ombudsman

<sup>1</sup> National Centre for Vocational Education Research, 2019, *Australian Vocational Education and Training Statistics: Apprentice and Trainee Collection*, National Centre for Vocational Education Research, Adelaide

<sup>2</sup> Department of Employment, Skills, Small and Family Business 2018, *Industry Employment Projections 2018 Report*, DESSFB. Canberra

<sup>3</sup> National Australia Bank Limited 2019 *NAB Quarterly SME Survey 2019 Q2*, National Australia Bank Limited, Sydney

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<p><b>1. Establish a consolidated National Skills Needs list that reflects the reality of skills demand across the economy and can capture emerging skills needs and regional nuance in skills shortages.</b></p>	<ul style="list-style-type: none"> <li>• Expand the NSNL beyond the ANZSCO <i>Major Group 3</i> to include all VET level occupations in demand across the economy.</li> <li>• Make the NSNL a living list rather than static document – with the ability to add and remove based on emerging industry need or emerging demand.</li> <li>• Create a broader list of incentivised apprenticeships for small businesses and employers in regional areas where labour constraints are often greater than metropolitan regions.</li> <li>• With long lead times for traditional apprenticeships, the apprenticeships model does not lend itself to a “just in time” model of training delivery and needs careful forecasting of future demand to prevent future skills shortages.</li> </ul>
<p><b>2. Recognise the role apprenticeships can play in facilitating a transition to sustainable employment for those outside the workforce.</b></p>	<p>Apprenticeships can play a major role in facilitating transition to employment for those outside the workforce.</p> <ul style="list-style-type: none"> <li>• Key entry level occupations that are in demand across the economy should be identified and additional incentives allocated for apprenticeship pathways in those occupations.</li> </ul>
<p><b>3. Restructure incentives payments to recognise and offset the reduced productive capacity of an apprentice in the early stages of training.</b></p>	<p>Productivity benefits of an apprentice do not become apparent until their third year of training, however, incentive payments are weighted more towards completions. This requires careful consideration as to how incentive payments can be weighted to offset the low productivity of the apprentice</p>
<p><b>4. Establish targeted incentives for small businesses to encourage the employment of apprentices;</b></p>	<p>Small businesses have greater (and often earlier) constraints from skills shortages. There is, in many cases, also less knowledge of the apprenticeships system and VET in general amongst small businesses.</p> <ul style="list-style-type: none"> <li>• Establish a New Worker Incentive to encourage small businesses to take on new apprentices</li> <li>• Small business support in navigating the process for recruiting an apprentice with an emphasis on getting “the right fit” for the business</li> </ul>
<p><b>5. Examine pathways for training existing workers to assist businesses in areas of structural adjustment or expanding into new markets.</b></p>	<ul style="list-style-type: none"> <li>• Re-establish existing worker incentives to encourage a culture of workplace training and continuous development of employees to meet emerging skills needs and help businesses transition into new markets.</li> </ul>