



HOUSING INDUSTRY ASSOCIATION



Housing Australians



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

Review of the Australian Apprenticeships National Skills Needs List

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contents

ABOUT THE HOUSING INDUSTRY ASSOCIATION	1
1. INTRODUCTION	2
1.1 The Scope of HIA's Submission.....	2
1.2 The Residential Building Industry and Government Involvement in the Skills Market.....	2
2. THE CURRENT NATIONAL SKILLS NEEDS LIST.....	3
2.1 Discussion Questions 1 to 3.....	3
2.2 Opportunities to improve the effectiveness of the NSNL linked incentive (Point 2.5).....	4
3. DESIGNING A NEW APPROACH.....	4
3.1 A single coherent approach to identifying occupation skills shortages.....	4
3.2 Skilled Migration	5
3.3 A forward looking skills shortage methodology.....	5
3.4 A holistic approach to labour market analysis of skills needs	6
4. THE NEED FOR A FLEXIBLE METHODOLOGY	7
4.1 A methodology that is responsive to changes in skills shortages.....	7
5. SUPPORT INFORMED DECISION MAKING (SECTION 3.5).....	7
6. PRIORITISE OUTCOMES THAT DELIVER THE GREATEST ECONOMIC AND SOCIAL BENEFIT (SECTION 3.6).....	8
7. CONCLUSION.....	8

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ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. HIA members are involved in land development, detached home building, home renovations, low & medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diverse mix of residential building companies including volume builders, small to medium builders and renovators, residential developers, trade contractors, building product manufacturers and suppliers and allied building professionals that support the industry.

HIA members construct over 85 per cent of the nation's new building stock.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into manufacturing, supply, and retail sectors.

Contributing over \$100 billion per annum and accounting for 5.8 per cent of Gross Domestic Product, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

"Promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The Association operates offices in 22 centres around the nation providing a wide range of advocacy, business support services and products for members, including legal, technical, planning, workplace health and safety and business compliance advice, along with training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.



1. INTRODUCTION

1.1 The Scope of HIA's Submission

HIA welcomes the opportunity to provide comments in relation to the Issues Paper on the Review of the Australian Apprenticeships National Skills Needs List (NSNL). Apprenticeship payments and incentives play a crucial role in supporting the development of the skilled labour workforce in the residential building industry.

HIA recognises the importance of the Government's announcement in the 2019/20 Budget of the Additional Identified Skills Shortage Payment. This additional incentive will assist in encouraging a greater number of apprentices in the residential building industry and consequently help address the structural shortage of skilled labour evident for the industry. HIA also welcomes the reinstatement in 2020 of incentives for part time and diploma level traineeships.

HIA supports the three objectives of the Review and considers the second objective to be particularly important:

- To develop an integrated approach to identifying occupations in skills shortage to effectively target employer apprenticeship incentives and apprentice payments.

Clearly this objective is linked closely to the Scope of the Review:

- ... the methodology with which occupations in skills need are identified and prioritised for the purpose of targeting apprenticeships incentives and payments.

HIA has previously advocated for a cooperative and integrated approach to labour market analysis, which includes a greater level of data collection and analysis within a centralised framework. The emerging formation of the National Skills Council (NSC) provides a foundation to improve communication, cooperation and analysis. In terms of the need the Issues Paper identifies for reviewing the NSNL, the timing of the establishment of the NSC and this review can provide a strong platform to design a holistic approach to identifying occupations in skills need and the way in which skills shortage-linked apprenticeship incentives are allocated.

Creating this framework needs to be successfully achieved irrespective of the existence and review of any national list of skills shortage. Skills shortages are one component of the skills needs of the residential building industry. One is not synonymous with the other.

It is appropriate that the scope of the methodology encompasses eligibility for all Australian Government skills shortage apprentice payments.

1.2 The Residential Building Industry and Government Involvement in the Skills Market

The residential building industry has a long standing relationship with the federal government in respect to accessing support for skills and apprentices through programs such as Australian Apprentices Incentives. The broad-ranging nature of the residential building industry is very compatible with the two key rationales for government intervention in the skills market identified in the Issues Paper.

Firstly, the residential building industry is constantly looking to expand available training pathways, in addition to providing employment opportunities for young people, disadvantaged groups and the retraining of mature age workers (Rationale One). HIA is heavily involved itself in meeting this rationale through the roles we play: as a Registered Training Organisation; a Group Training Organisation for apprentices; and supporting the advancement of vocational education and training in schools.



Secondly, the residential building industry provides a critical service for the Australian economy – providing a roof over people’s heads. For over twenty years a constant constraint in effectively and efficiently providing this service has been a lack of readily available skilled labour. Commencement, recommencement and completion incentives, as they apply to either hosts and employers, or apprentices, play a crucial role in encouraging new entrants into the industry and in reskilling/upskilling existing workers. In this regard government involvement is also crucial in ensuring sufficient encouragement and engagement of employers and hosts of apprentices and trainees in the residential building industry.

Appropriate incentive mechanisms for the residential building industry will become increasingly important to maintain foundational skills at the same time as new technologies require new skills; and as an ageing workforce has an ever greater impact on an industry where many skilled trades will continue for decades to come to consist primarily of manual labour.

2. THE CURRENT NATIONAL SKILLS NEEDS LIST

2.1 Discussion Questions 1 to 3

HIA will address the first three Discussion Questions as one.

It is a generalised statement to claim that the NSNL is not representative of current skills shortages. This is not the case for the residential building industry.

Since the early 2000’s the majority of skilled trades in residential building have been in short supply the majority of the time. This period covers five distinct new home building cycles. Even eighteen months into the current downturn, there are still skilled trades that are clearly in short supply.

HIA has evidence of this based on our quarterly Trades Report, internal labour market analysis and extensive liaison with HIA members.

It is unlikely that the 22 occupations noted in the Issues Paper that currently meet the selection criteria include all 21 residential building-based professions on the total list of 65.

This reinforces the point that the current methodology needs to be advanced through a better model and a different approach. The methodology underpinning the NSNL is poorly aligned with skills shortages in the economy generally, as well as in relation to lags in delivering skilled workers through the apprenticeship system.

HIA concurs that the Skills Shortage Research underpinning the NSNL is a contemporary indicator which is also backward looking. A forward looking analysis, anchored to solid contemporary data and information would be more appropriate.

In terms of Point 2.4, if the process is managed well and there is a transitory strategy then there is no reason why the effectiveness of the NSNL should diminish once the Incentives for Australian Apprentices (IAA) comes in to effect on July 1 2020. That is not the key focus.

As Australia transitions to the streamlining measure of the IAA program the key focus should be on ensuring that occupations in short supply are identified and prioritised for the purpose of targeting apprenticeships incentives and payments. That is the scope of this review.



Any different methodology and approach to labour market analysis will take time and consultation to develop and implement. At the same time the NSNL will increasingly be taking shape. In this transitory phase, while a review of the NSNL is underway, there will need to be a clear identification of the skilled occupations that are requiring and deserving of apprenticeship incentives and payments. This will require increased consultation with industry and business in coming months in the context of improving labour market analysis of skills needs while reform of the overall system is being undertaken. This is where the focus should rest.

2.2 Opportunities to improve the effectiveness of the NSNL linked incentive (Point 2.5)

HIA agrees that an understanding of the causes of persistent skills shortages could compliment skills shortage analysis to ensure the issue is being addressed in the most efficient and effective manner.

Achieving this objective requires:

- A complete breakdown and interrogation of the skills shortage analysis currently employed;
- The development of a new methodology which incorporates a forward looking element with greater flexibility than currently exists; and
- Extensive consultation with industry and employer groups throughout the process.

A new approach and methodology needs to be capable of identifying and analysing geographical differences in skills shortages. There may be a universal and persistent shortage of bricklayers and ceramic tilers in Australia, but a builder in Wagga Wagga may be facing a prolonged shortage of plasterers at the same time as a carpenter in Wodonga can't find a sub-contractor. In other words the need for skilled labour can be local and regional in nature, as well as a national labour pressure such as the demand for ceramic tilers, for example.

This highlights the point that the NSNL is just one element of the needs of the residential building industry in terms of apprenticeships incentives and payments and wider support for trainees. National skills lists of any name or format are unlikely to offer the only effective approach to matching incentives and payments to those apprentices, businesses and employers who require them.

3. DESIGNING A NEW APPROACH

HIA supports the design principles outlined in the Issues Paper. We welcome the inclusion of principles that incorporate a responsive, transparent and flexible methodology.

The overall framework around the methodology should include a component where quantitative and qualitative evidence provided by business and employer groups is incorporated into labour market analysis. This will require extensive consultation with industry.

The methodology should also include the capacity for regional analysis as opposed to a focus solely at a national level.

3.1 A single coherent approach to identifying occupation skills shortages

HIA supports a single coherent approach to underpin the identification of skills shortages (Discussion Question 7). We follow the OECD definition of a skills shortage – *a labour market condition in which demand for a particular skill exceeds its supply at a prevailing market wage rate*. This definition has accurately applied to a majority of skilled occupations in the residential building industry for a number of years and continues to do so.



The application of different methodologies across the NSNL, AAIP Priority Occupations and the AISS occupations (and beyond that) is a second best basis for analysis. This approach generates confusion, lacks transparency and is an inefficient allocation of resources in assessing skills shortages and needs in the Australian economy.

A single coherent approach would provide the platform for better labour market analysis and workforce planning, within or outside any particular occupational skills list. In terms of the skills shortages lists, it would make sense that ultimately there is one single, consolidated list. As previously noted, close consultation with industry will be a pre-requisite for successfully developing such a single, coherent approach. This engagement will also need to include a greater preparedness to include and assess both quantitative and qualitative evidence from industry which is relevant to the assessment of skilled labour needs.

The need for extensive industry consultation arises because an improved methodology and more comprehensive labour market analysis needs to be dynamic rather than static. The successful achievement of this requirement will only occur with the incorporation of the insights, survey information, feedback from market participants and experience of market conditions that industry and employers understand and know better than anybody else.

3.2 Skilled Migration

A strong skilled migration program is an essential component to addressing Australia's skilled labour needs and shortages. As HIA has noted on numerous occasions, the current temporary skilled migration visa system does not have the flexibility to allow for skilled migrants to work in the residential building industry. This is a glaring omission for an industry that experiences perennial skills shortages, but an industry that provides one of the fundamental necessities in the Australian economy, namely shelter.

HIA supports the concept that in terms of temporary migration, it is appropriate for a short term skills list to exist in the context of providing a pathway to permanency. This can only happen for the residential building industry if the relatively unique sub-contractor labour base of the residential building industry is recognised in Australia's short term visa system.

Skilled migration serves to highlight the disparate nature of the measurement and analysis of skills shortages. When it comes to overseas migration, yet a different methodology is used to assess occupations experiencing shortages and in need of skilled labour. There are no fewer than three distinct shortages lists related to skilled migration: the Regional Occupations List (ROL); the Short Term Skilled Occupation List (STSOL); and the Medium and Long Term Strategic Skills List (MLTSSL). Arguably the skilled migration program is unnecessarily complex, although the three distinct lists are probably justified. It has certainly become more onerous for businesses and employers to engage in the visa system in recent years, to the detriment of successfully meeting Australia's skills needs and to plugging the nation's skilled occupation shortages.

In terms of skilled migration, there is unnecessary confusion and inefficiency in assessing the skills needs and shortages of the residential building industry and other industries in the Australian economy. This needs to be taken account of in any new approach to skills analysis in terms of methodology, labour market analysis and the adoption of a more holistic framework overall.

3.3 A forward looking skills shortage methodology

HIA would support a forward looking skills shortage methodology, but any such methodology needs to be broad-based. As previously noted, any new methodology also needs to be firmly anchored to accurate analysis and assessment of contemporary conditions as they relate to skills shortages. The Issues Paper recognises this requirement. This new base for labour market analysis needs to have a regional element to it, not just a framework that considers the national, aggregate situation.



3.4 A holistic approach to labour market analysis of skills needs

HIA touches on each of the four relevant Discussion Questions (8 – 11) in our commentary below.

The Issues Paper accurately notes the complexities in evaluating and projecting future skills shortages.

The residential building industry provides a clear example of a wide range of skilled trades where the lead time in ultimately providing a supply of qualified workers, as described in the Issues Paper, is relatively long. In the case of the residential building industry this duration is usually three to four years, but can be more. For example, an apprentice who qualifies as a carpenter may go on to undertake a Diploma level course in pursuit of becoming a registered builder.

In this regard HIA is broadly supportive of the point made in the Issues Paper that *‘A better approach to targeting skills shortage incentives is to use a methodology aimed at identifying skills shortages that are expected to prevail or arise in a medium term context’*.

This is a challenging objective to achieve, as noted in the Issues Paper and any such methodological approach needs three primary elements to it:

- A strong contemporary foundation in terms of knowledge and analysis of the starting point for the demand and supply of skilled occupations;
- Some consideration of the historical profile of the demand and supply of skilled occupations;
- A regional component to all aspects of the labour market analysis. Reliance solely on aggregate, national analysis will not accurately capture skilled labour needs across the Australian economy.

HIA concurs with the point in the Issues Paper - *‘For apprentice incentives designed to address future skills shortages to be efficient and effective, a methodology through which future skills needs and supply can be assessed with a reasonable degree of confidence is required’*.

That is a pre-requisite for any well-functioning methodology and broader labour market analysis.

What also needs to be recognised is that there are skilled occupations that are in structural shortage. In other words these occupations (bricklayers, for example) have been in short supply for many years, are in short supply now and will be in the future. It will be important to ensure that any future framework underpinning a new methodological approach and labour market analysis recognises skilled occupations that are in structural shortage.

This is consistent with the point made previously that a fresh methodological approach is only one component of comprehensive and successful labour market analysis. The incorporation of both quantitative and qualitative information and analysis from industry is a key pre-requisite for success. This in turn, as previously noted, requires extensive, persistent consultation with industry participants.

The Issues Paper notes the limitations to forward looking labour market analysis and makes the key point:

- ‘These limitations may be partially addressed by complementing this type of analysis with informed judgement, such as consultation with industry.’



As HIA has emphasised in this submission, such limitations would definitely be addressed, at least partially, by the incorporation of qualitative analysis and extensive industry consultation. It would be an erroneous approach to rely solely on a quantitative methodology and related labour market analysis. Models and projections always have limitations and room for error, plus they lack a human element. Yet accurately determining the future need for skilled occupations – human labour – is what is trying to be achieved.

HIA supports the core components suggested for a new methodology, but does not regard it to be an exhaustive list. HIA will provide more detail in response to the second Issues Paper focussing on methodology. In the interim, one example relates to dot point one. There needs to be an assessment and analysis of contemporary market/industry conditions faced by skilled occupations in relevant industries, at a regional as well as a national level. This probably should be a stand-alone component. Point three mentions 'growth demand'. This aggregate approach is relevant, but needs to be complemented by an assessment and analysis of market/industry conditions.

4. THE NEED FOR A FLEXIBLE METHODOLOGY

Early in our submission HIA highlighted three important elements outlined in the Issues Paper – flexibility, transparency and frequency. Incorporating these elements in to any new analytical approach will be necessary to achieve a methodology that is responsive to changes in skills shortages (Section 3.3 of the Issues Paper).

4.1 A methodology that is responsive to changes in skills shortages

HIA supports the case for a regular review to ensure that incentives are targeted to occupations in greatest need. This is the case irrespective of the existence of a NSNL.

Inherent in the case for a regular review is the need for a degree of dynamism to a new analytical approach. Quantitative data is obviously going to become available at discrete time intervals. Qualitative information through regular industry consultation will assist in adding a dynamic nature to any analytical approach developed which has a regular review as part of its framework.

In terms of Discussion Question 12, HIA is of the view that a skills shortage methodology could be applied annually. In relation to Discussion Question 13, it is the analysis of the requirement for skilled occupations that is important to get right, including in terms of frequency of review. Any occupational skills shortage list is only part of successfully meeting skills needs. HIA will consider these questions further in our submission to the Methodology Issues Paper.

5. SUPPORT INFORMED DECISION MAKING (SECTION 3.5)

HIA supports the point made in the Issues Paper that: *Where an employer and/or apprentice become eligible for a skills shortage incentive, their eligibility for any prospective payment should not be contingent on the occupation remaining on the skills shortages list for the duration of the eligibility period for the incentive.*

There are skilled occupations in the residential building industry that may be in modest over supply in some regions for a short period at the bottom of a building cycle, but there is strong empirical evidence that these trades quickly move back into short supply again.

HIA concurs with Discussion Question 15 that the eligibility for skills shortage incentives over the life of an apprenticeship should be determined at the time of commencement.



Consideration of Discussion Questions 16 and 17 will be better informed following the release of the second Issues Paper. If the analytical approach is right then question 16 should take care of itself. A lead time of at least twelve months seems appropriate, but HIA will make a final recommendation in our response to the second Issues Paper.

6. PRIORITISE OUTCOMES THAT DELIVER THE GREATEST ECONOMIC AND SOCIAL BENEFIT (SECTION 3.6)

The Vocational Education and Training (VET) sector is the only component of Australia's entire education system that has experienced a decline in real funding in recent years. Any consideration of how to achieve the 'objective' of Section 3.6 needs to occur with recognition that any future funding model for the VET sector needs to correct the existing imbalance.

This 'objective' would come closest to being achieved with the successful development and implementation of a new analytical approach. It is, perhaps, premature to consider the criteria that should be used to target apprenticeship incentives (Discussion Question 18), but we make some broad comments below.

HIA supports any occupational methodology being underpinned by occupations that have an Australian Apprenticeship as their primary pathway for entry.

The Issues Paper notes that: *Prior experience indicates that in some occupations the provision of apprenticeship incentives can result in broad take-up with relatively little addition to the skills capacity in the occupation.* This is certainly not the case for the residential building industry where apprenticeship incentives assist in delivering a considerable increase in skills capacity across a wide range of occupations.

Paragraph three of Section 3.6 is a contentious one, in HIA's view. Prioritisation of apprentice incentives implies that a skills list is capturing all of the key occupations with skills needs. This is unlikely to be the case everywhere, all of the time.

7. CONCLUSION

A review of the NSNL as the recently formed National Skills Council (NSC) takes shape provides a strong platform to design a holistic approach to identifying occupations with skills needs and the way in which skills shortage-linked apprenticeship incentives are allocated.

A change in methodological approach and improved labour market analysis is appropriate and is supported by HIA. We single out one of the three objectives of the Review:

- To develop an integrated approach to identifying occupations in skills shortage to effectively target employer apprenticeship incentives and apprentice payments.

This is important to the residential building industry as apprenticeship payments and incentives play a crucial role in supporting the development of the industry's skilled labour workforce.

HIA supports the design principles outlined in the Issues Paper. We welcome the inclusion of principles that incorporate a responsive, transparent and flexible methodology. HIA supports a single coherent approach to underpin the identification of skills shortages. A forward looking model of skills needs would represent part of a successful outcome. This is a challenging task which has inherent complexities to it, as noted in the Issues Paper.



Extensive consultation with industry and employers needs to be an integral element of any reform process. Indeed any new methodological approach and framework for labour market analysis needs to include a clear and direct role for quantitative and qualitative information and analysis that can be provided by industry. This is not just an add-on, it is a central element to the prospect for a successful revamping of the analytical approach taken to assessing the skills needs of Australian industry.

