

South Australian Department for Innovation and Skills Response to National Skills Needs List Review Issues Paper

This submission forms the South Australian Department for Innovation and Skills' (the Department) response to the initial Issues Paper of the National Skills Needs List Review.

Shortcomings with Current Approach

1. Do you agree with the identified issues with the NSNL as it currently operates?
2. What evidence or examples can you highlight in support of your position?
3. Are there other issues with the NSNL that should be considered?

Response

The Department agrees there are issues and limitations with the current operation of the National Skills Needs List (NSNL) as it currently operates.

The Department agrees with the Issues Paper that the lack of regular updating of the NSNL and the retrospective focus of the NSNL methodology may make it difficult to identify occupations currently experiencing skills shortages and occupations whose skill shortages have been met.

The criteria for 1500 or more people employed in the occupation according to ABS Census data (which can be up to 5 years old), can be restrictive, and may exclude emerging and/or niche occupations that could be experiencing skills shortages. Also, the reliance on ABS Census data can be problematic due to the significant period of time between releases i.e. five years. During this time, skills shortages may have become apparent or resolved, limiting the responsiveness of the NSNL. These eligibility requirements could exclude occupations in demand from being supported by the Federal Government.

Additionally, the primary survey underpinning the current methodology for determining the NSNL – the Survey of Employers who have Recently Advertised (the Survey) – is focussed on the ease with which employers are able to fill advertised positions. The information obtained through the Survey could be complemented with additional data and information sources that provide insights into demand and skill shortage pressures.

This methodology could be complemented with sources that provide quantitative information including the ABS Labour Force Survey and Census (for employment growth), Federal Department of Employment, Skills, Small and Family Business Vacancy Report (for internet vacancies), Federal Department of Employment, Skills, Small and Family Business Employment Projections, the NCVER Student Outcome Survey, and ABS Census and survey data on wage growth.

Qualitative information could be sought from industry associations, researchers, key employers, and job postings. It is acknowledged that there can be limited access to qualitative information particularly where skills demand or shortage is localised, albeit the scale of demand could be concerning for small jurisdictions. It's also worth considering how in-depth the consultation with employers and industry is as part of the Survey of Employers: Does it appropriately capture employers' skill requirements and effectively link these to qualifications or occupations, especially considering the scope of employer understanding of skills and training package products.

Designing a New Approach

4. Are the design principles outlined in this section the right ones for a methodology to identify occupations in skills shortage and to allocate apprenticeship incentives?
5. Are there other design principles that should be considered? If so, please describe them and outline the rationale for their inclusion?
6. Which of the design principles would you rank as being of greatest importance?

Response

The Department supports the design principles proposed for developing a methodology to identify occupations in skills shortage and to allocate apprenticeship incentives. Each of the six design principles listed have merit and should be weighted accordingly.

As noted in the response to Shortcomings with Current Approach, questions 1 to 3, the inclusion of forward-looking design principles and the use of quantitative modelling and data, and qualitative information from a range of sources would significantly assist to achieve these principles.

Design Principle 1: Single Coherent Approach

7. Do you agree that a single coherent approach should underpin the identification of occupational skills shortages? If not, what is/are the alternative/s?

Response

The Department agrees that having different methodologies for determining occupations in skills shortages under the NSNL, the AAIP Priority Occupations and the AISS programs, which all aim to address skills shortages through apprenticeships, is confusing. A single coherent approach or framework for the purpose of identifying occupations experiencing skills shortage and determining apprenticeship incentives is supported. Support is also given to the framework having greater flexibility and the ability to set additional criteria to allow a more nuanced approach to incentives, including on a State-by-State basis.

Design Principle 2: A Forward-Looking Skills Shortage Methodology

8. What timeframe into the future should be used when identifying occupational skills shortages for the purpose of targeting skills shortage incentives? Why?
9. What are the key limitations, if any, of a forward-looking methodology? How can these be addressed or managed?
10. Are the core components of a possible forward-looking methodology outlined above appropriate? If not, why and what are the alternatives?
11. Are there objective means of assessing skills shortages in small and emerging occupations for which there is no primary data?

Response

The Department supports a methodology that includes a forward-looking focus on demand and skills shortages, combined with information on present and recent trends. This should cater for a forward-looking five-year period given apprenticeships can be around four years in duration. There may be benefit in considering a tiered approach, where skills shortages are considered on a short, medium- and long-term basis – with a possible higher weighting provided to more immediate pressures as it is easier to identify/predict skills shortages in the short term. This could support a quick response to more immediate pressures and planning for longer term pressures.

It is recognised that a forward-looking methodology for determining occupations in skills shortage may have some limitations and challenges, especially regarding emerging industries and occupations, and when considering the impact of digitalisation and structural adjustment.

Incorporating quantitative and qualitative data from a range of sources and ensuring the use of robust cutting-edge data management processes and tools will assist to manage these challenges.

This could include quantitative data and modelling based on a range of sources, such as the ABS Labour Force Survey and Census (for employment growth), Federal Department of Employment, Skills, Small and Family Business Vacancy Report (for internet vacancies) and Employment Projections, the NCVET Student Outcome Survey, and ABS Census and survey data on wage growth. It could also include state-based projections for the coming years, such as the estimates produced by the South Australian Training and Skills Commission.

In addition, it could include qualitative input from a range of industry bodies, researchers, key employers and stakeholders. This will help better understand and manage limitations in forecasting future skills in demand and skills shortages, especially in emerging and niche industries and occupations. As an example, this could include local face to face conversations with employers; inquiries to regionally based investment and attraction programs and projects; and inquiries to state-based Skilling Australia related programs and projects targeting growth in apprenticeships. It could also include qualitative information from national and local state-based Industry Skills Councils and other industry-based committees.

Design Principle 3: Methodology that is Responsive to Changes in Skills Shortages

12. Do you agree that the skills shortage methodology should be applied annually?
13. Should the occupational skills shortage list be updated with the same frequency? If not, why not?

Response

The Department is supportive of an annual review of skills shortage methodology but suggests there is a need for general consistency across the years. Annual reviews could be utilised to find and introduce minor improvements. It is also important that the methodology can cater for state nuances regarding future skills demands, for example, occupations relevant to the defence industry in South Australia.

The occupations on the future NSNL should also be reviewed on an annual basis and the occupations should be nuanced on a state basis to cater for local demand.

Design Principle 4: A Transparent Yet Flexible Methodology

14. What is the right balance between transparency and flexibility? How might a formulaic approach to identifying skills shortages be made more flexible without compromising transparency?

Response

Flexibility and transparency are both important factors for the design of a methodology, but care is required to ensure flexibility is not too constrained by concerns around transparency.

Greater transparency might be achieved through regular consultation and engagement with stakeholders in the updating of the NSNL, as well as updating public information on the methodology used and occupations supported. It is noted that this transparency may be restrained by the high levels of resourcing required.

At times, flexibility may be restrained by the requirement for transparency. The need to be flexible whilst developing the NSNL may be restrained by the need to be transparent and provide information on the methodology used and occupations supported with incentives, as well as the high resourcing levels required.

Design Principle 5: Support Informed Decision Making

15. Do you agree that eligibility for skills shortage incentives over the life of the apprenticeship should be determined at the commencement of the apprenticeship?
16. Would volatility in the availability of skills shortage incentives impede their uptake? If so, what type of stabilising mechanism would help to address this issue?
17. How far in advance of the effect date should changes in the skills shortage list be announced, given the need to balance business planning and distortions to commencement patterns?

Response

Eligibility for skills shortage apprenticeship incentives based on occupations identified on the NSNL, or its replacement, should be determined at the commencement of the apprenticeship. Any changes to occupations identified on the NSNL should carefully consider how they affect existing apprenticeships. For example, if completion incentives were to be ceased, there would be greater certainty to employers,

apprentices and the market if they were ceased for all new apprenticeships commencing after a certain date, rather than for all new and existing apprenticeships.

Ensuring eligibility for incentives at the point of commencement of an apprenticeship provides a level of certainty for employers and the market. If eligibility for incentives were to change during the life of already active apprenticeships, this may undermine the desired initial intent of incentivising particular apprenticeship commencements to address skills shortages.

Stabilising mechanisms could include setting and publicising a changeover date, providing advance notice to the market of changes, and ensuring the changes only apply to new apprenticeships and not existing/active apprenticeships.

The Department supports an advance notice period of 3-6 months to allow the market to prepare for the change.

Design Principle 6: Prioritise Outcomes that Deliver the Greatest Economic and Social Benefit

18. What criteria should be used to target apprenticeship incentives to deliver the greatest economic and social benefit?
19. What type of occupational analysis should be undertaken in support of the objective of addressing skills shortages in apprenticeship-based occupations?

Response

The Department agrees that the design principles and methodology should prioritise outcomes that deliver the greatest economic and social benefit.

The Department also supports the most efficient and effective targeting of apprenticeship incentives but requiring an apprenticeship to be the primary pathway to entering an occupation may be problematic as it may exclude some occupations where future demand exists. For example, in emerging industries or niche markets where an apprenticeship pathway may have only recently become available is not the only entry pathway, excluding an emerging industry or niche market that is experiencing skills shortages from apprenticeship incentives based on this criterion may overlook the industry's need for assistance to meet their skills needs. There is merit in considering how to capture the skill needs of these markets whilst ensuring the efficiency and effectiveness of the incentives.

The following criteria could assist when targeting apprenticeship incentives to deliver the greatest economic and social benefit:

- Industry: What is the size of the industry and what is its impact in the economy? What would be the implications if these occupations did not have workers in them? Is the industry shrinking naturally due to some occurrence such as the adoption of new technology or is it an indication of a shortage of skilled workers?
- Size of Employer Business: What is the size of the employer seeking to employ an apprentice? Small businesses have different needs to large businesses and varying levels of success in apprentices completing.
- Alternate Solution: Is there an alternative solution to meeting skills needs rather than through an apprenticeship? Does industry need the whole qualification delivered or does it only need a skill set of units from the qualification to meet their skills needs? Could a shorter skill set be incentivised? This could help to explain low apprenticeship numbers or high drop-out levels. In some instances, apprentices do not complete their training but rather drop out of their apprenticeship once they have been accredited with the skill sets required by the industry. The skill needs of these industries could be better met by a customised skill set rather than an apprenticeship.
- New Employer: Is the employer new to having an apprentice? Additional business and mentoring support may increase the chance of apprenticeship completion.

- Individuals with Barriers: Will the apprenticeship involve an individual with barriers to success in completing the apprenticeship, e.g. literacy or learning needs? Targeted incentives may assist the individual and employer.
- Income: What are the actual and perceived income levels during and after an apprenticeship?
- Employer location: Is the employer based in a regional location?
- Entry prerequisites for an apprenticeship.