



EMPLOYMENT WHITE PAPER SUBMISSION

November 2022

**BUSINESS
NSW**

INTRODUCTION

These submissions are made on behalf of Business NSW (BNSW) in response to the October 2022 Terms of Reference for the Employment White Paper (White Paper) to be prepared by The Treasury of the Australian Government. The Terms of Reference encompass seven broad areas and this submission provides a response to:

- Full employment and increasing labour productivity growth and incomes, including the approach to achieving these objectives.
- The future of work and labour market implications of structural change, with a focus on:
 - The energy transition and tackling climate change to achieve net zero.
 - The transformation associated with digitalisation and emerging technologies.
 - Building more resilient supply chains in a changing geopolitical landscape.
- Job security, fair pay and conditions, including the role of workplace relations.
- Pay equity, including the gender pay gap, equal opportunities for women and the benefits of a more inclusive workforce.
- Labour force participation, labour supply and improving employment opportunities.
 - Reducing barriers and disincentives to work, including the role of childcare, social security settings and employment services.
 - Improving labour market outcomes for those who face challenges in employment, including First Nations people, those who live in rural and remote areas, younger and older Australians, people with disability, and those who may experience discrimination.
 - Skills, education and training, upskilling and reskilling, including in transitioning sectors and regions.
 - Migration settings as a complement to the domestic workforce.
- The role of collaborative partnerships between governments, industry, unions, civil society groups and communities, including place-based approaches.
- Other relevant topics and approaches including housing, transport and self-employment.

This submission was formed through a range of stakeholder engagement and feedback sessions with businesses including:

- The Business NSW 2022 Workforce Skills Survey with over 600 responses
- Business NSW Business Conditions Surveys in 2022, varying in response rate
- Focus groups with businesses
- Feedback from Regional Directors

About Business NSW

BNSW is NSW's peak business organisation. BNSW has more than 40,000 member businesses across NSW. BNSW works with businesses spanning all industry sectors including small, medium and large enterprises. Operating throughout a network in metropolitan and regional NSW, BNSW represents the needs of business at a local, State and federal level.

EXECUTIVE SUMMARY

NSW is experiencing a workforce challenge not seen since the end of the second World War. Workforce shortages are affecting every region of the state, every industry sector and every occupational skill level – from entry level to niche specialised skills.

In every forum, Council meeting or member engagement activity used to inform the development of this submission, access to workers is the number one issue raised by businesses.

This is supported by findings from our 2022 Workforce Skills Survey in which a staggering 93 per cent of businesses told us that they couldn't find the staff they needed.¹

Our research has consistently demonstrated the impact shortages have on existing workers, the impact on businesses' productivity, competitiveness and innovation and the impact on the community – particularly due to shortages in health and social care and education and training.

Skills shortages are often conflated with labour shortages. However, many employers report extreme difficulty in filling lower-skilled jobs with Australians due to the nature of the work involved, seasonality of the jobs, location of jobs, poor salaries and lack of career prospects.

These workforce shortages were created by a perfect storm following the pandemic due to:

- Fewer overseas workers including skilled migrants, working holiday makers and other visa holders with work rights;
- Increased demand for goods and services, particularly in regional areas, due to internal migration to regional areas and increased local tourism; and
- Increased demand due to significant government investments to support the economy in, for example, infrastructure, childcare, and the NDIS.

These recent impacts have exacerbated many of the long-standing and unresolved issues in the Australian skills sector. Business NSW has for many years focussed on:

- Availability of industry-led careers advice in schools;
- Poorly articulated and understood pathways into the workforce from school and a lack of partnerships between industry and schools;
- Perceptions of the Vocational Education and Training (VET) sector across the community and reduced government funding to the sector which has resulted in fewer students studying VET qualifications;
- Increased employer dissatisfaction with the VET sector due to a lack of industry engagement and the sector's inflexibility, bureaucracy and slowness to respond to business needs;
- Extended training pathways with undergraduate degrees now frequently considered the *de facto* entry-level qualification; and
- Reductions in training investment by some businesses.

Against this backdrop, BNSW supports reforms in three key areas:

- training the Australian population;
- increasing workforce participation; and
- supporting the return of overseas workers and skilled migrants.

These three areas form the basis for the key priorities for action set out in this submission and are complementary to one another. Reforms in each of these areas need to be considered holistically

¹ Business NSW, 2022a.

to consider how they will work together to meet the job requirements of today and into the future.

Business NSW has advocated strongly for many years to ensure that every Australian has the opportunity to receive the training that will help them find a job and that training and employment are closely linked. It is crucial that every person has the chance to gain the right skills that businesses need. Now is not the time for businesses nor governments to cut spending on training.

In the BNSW Workforce Skills Survey, almost half of businesses reported that they were having as much difficulty filling entry level jobs as highly skilled jobs. In many cases, businesses tell us they are just looking for someone with the right attitude. Increasing workforce participation will be a key component to address these issues. For people facing barriers to employment, governments, businesses, unions and other stakeholders must work together to help people address whatever is holding them back from finding, and keeping, a job.

Visa processing issues and the cost of travel is preventing the arrival of many skilled migrants, working holiday makers and international students, exacerbating workforce challenges. Making the migration system easier for businesses to navigate, ensuring that visa applications are processed promptly, and urgently and proactively attracting more people to work in Australia are all important parts of the solution.

Not included in the Terms of Reference are the key issues around availability and cost of transport and housing nor the opportunities to support new business owners. During consultation for this submission, businesses raised the lack of affordable housing and transport as key concerns. Across NSW, businesses tell us the availability of housing, or lack thereof, is reducing their ability to source workers. Many businesses reported instances of finding suitable applicants for a job vacancy, but the applicant being unable to find somewhere to live, and either rejecting the job offer or resigning within a short period of time. Accordingly, these issues have been discussed further in the final section of this submission.

BNSW acknowledges the Australian Government's commitment to working in partnership with stakeholders and looks forward to working together to achieve the best possible outcomes for business and the community. Business NSW offers the following submission and recommendations to address these myriad challenges.

SUMMARY OF RECOMMENDATIONS

Recommendation 1

Infrastructure Australia and Jobs and Skills Australia conduct workforce planning for the infrastructure pipeline, based on the sequencing of infrastructure investments.

Recommendation 2

Appoint a Regional Infrastructure Coordinator General with a scope of responsibility including workforce planning and pipeline scheduling. This service must be able to analyse the cumulative impacts of infrastructure projects whose geography and/or timing overlap.

Recommendation 3

Pilots of hydrogen hubs should include an evaluation that identifies worker and training requirements.

Recommendation 4

Subsidise content and training providers to design and develop courses in emerging areas within the energy transition and elsewhere.

Recommendation 5

Facilitate more opportunities for industry to partner with schools around digital careers awareness.

Recommendation 6

Urgently increase the number of digital technology teachers in schools and work with states and territories to develop new models for engaging industry experts to deliver content.

Recommendation 7

Ensure that supply chain resilience extends beyond manufacturing and increases flexibility within the migration and training systems to address critical needs.

Recommendation 8

BNSW recommends that any endeavour to promote job security, should be underpinned by policies that improve the security of enterprises and economy, through deregulation, economic growth and less inflationary pressures.

Recommendation 9

BNSW recommends that the White Paper examine the issue of job security in a context that recognises that forms of work labelled as insecure provide significant benefits to workers and the broader economy.

Recommendation 10

The White Paper should consider the promotion of job security and fair pay and conditions in light of the fact that our already complex workplace relations system is likely to become more complex with the amendments that have been introduced in the Secure Jobs Better Pay Bill.

Recommendation 11

That the White Paper consider that any endeavour to promote the alleviation of the gender pay gap, first allow time for the new provisions to take effect in the new legislation so as to be in a better position to consider what else could be done through the workplace relations system.

Recommendation 12

Work with states and territories to continue to improve careers advice in schools, in collaboration with Jobs and Skills Australia and Industry Clusters.

Recommendation 13

Provide more mental health outreach services for young people.

Recommendation 14

Align VET in Schools programs more closely with employment growth areas and emerging occupations and introduce reforms nationally similar to the NSW Curriculum Reforms.

Recommendation 15

Disability employment services and the NDIA work more closely with employers to provide support for the business and the employee upon commencement of employment.

Recommendation 16

Increase the Aged Pension Work Bonus to \$15,600 per annum (as at time of writing) and extend the policy until at least 30 June 2024.

Recommendation 17

Provide support services for refugees and asylum seekers, potentially through Workforce Australia.

Recommendation 18

In partnership with States and Territories, commit to a real-terms funding increase to the VET sector over the life of the agreement

Recommendation 19

Ensure that future funding commitments are offered to the independent training sector as well as TAFE Institutes.

Recommendation 20

Support new Industry Clusters to introduce streamlined processes for minor qualification updates.

Recommendation 21

Focus efforts on supporting apprentices and trainees in the first 12 months of the apprenticeship.

Recommendation 22

Design and develop a pre-apprenticeship model in collaboration with industry and based on best practice.

Recommendation 23

Increase Government support for all apprenticeships and traineeships and extend this support to occupations beyond those on the Australian Apprenticeships Priority List.

Recommendation 24

Reinstate the fixed monetary completion incentives of \$2500 to employers.

Recommendation 25

Ensure that industry is integral to the design process of the micro-credentials pilot program.

Recommendation 26

Task Jobs and Skills Australia to develop a detailed workforce strategy detailing how skill development, increased participation, and migration will complement one another to deliver the skills that Australia needs.

Recommendation 27

Introduce short-term incentives to facilitate the return of temporary migrants and Working Holiday Makers – such as reducing cost of visas, reducing processing times and/or increasing country cap limits, increasing length of stay and offering more streamlined pathways to permanent residency.

Recommendation 28

Increase visa processing capacity permanently and increase capacity within the skills assessment program.

Recommendation 29

Remove the hypothecation of the Skilling Australians Fund (SAF) levy for skilled migration with VET funding, or at least clarify how and where those funds are being used.

Recommendation 30

Temporarily cease requirements for labour market testing for sponsored visas until at least 30 June 2023.

Recommendation 31

Ensure that extensions to Temporary Graduate Visas are offered to existing visa holders and all graduates from an Australian university or registered training organisation.

Recommendation 32

Pilot a place-based approach to education and training in the Murray-Riverina region before extending the approach to other regions in NSW.

Recommendation 33

Work with State and Territory Governments to prioritise efforts to facilitate greater infill development and densification of regional growth centres and develop alternative funding models for affordable housing.

Recommendation 34

Work with State and Territory Governments to develop more specific business development training for people interested in starting a new business.

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SUBMISSION

1. Full employment and increasing labour productivity growth and incomes, including the approach to achieving these objectives.

'Full employment' is defined as the situation 'where there are enough jobs for people who are available and want to work'.² It does not mean zero unemployment, as there is always a level of unemployment attributed to structural unemployment (due to skills mismatch) and frictional unemployment (as people transition between jobs).

While a low unemployment rate is often a policy goal, there is a point beyond which wage growth and inflationary pressures would start to increase due to limited spare capacity in the economy. This rate is known as the 'Non-Accelerating Inflation Rate of Unemployment' (NAIRU). It is defined as 'the lowest unemployment rate that can be sustained without causing wages growth and inflation to rise'.³

The ideal situation is that the unemployment rate matches the NAIRU, which means that the economy is operating at full capacity. If the unemployment rate is above NAIRU, there is spare capacity in the economy and the economy is not at full employment. On the other hand, if the unemployment rate is below NAIRU, the economy is operating beyond its full capacity and inflationary pressures intensify.

The RBA estimated that the NAIRU for Australia was below 5 per cent pre-pandemic⁴ while the unemployment rate is currently 3.4 per cent.⁵

The job vacancy survey conducted by the Australian Bureau of Statistics (which counts unadvertised as well as advertised vacancies) showed a near-record 470,900 job vacancies in August 2022.⁶ This is almost twice the number before the pandemic and is closer than ever to the number of people identified as being unemployed: 563,300.

It means there are now just 1.3 unemployed Australians for each vacant job, down from three before COVID, five in 2020, and seven in 1990. Statistically, the odds of getting a job are better than they have ever been. From an employer perspective, it is statistically harder to fill a job than ever before.

Many businesses during consultation for this submission felt that parts of NSW had already achieved 'full employment'. However, data indicates that there is still additional workforce capacity in some regions. For example, in the Hunter region, the workforce participation rate remains lower than the pre-COVID participation rate.⁷

The participation rate is not uniform across the state in those of working age. Understanding the reasons for this variation is critical to supporting people into employment. There is a need to engage better with disadvantaged groups and support the remaining ~100,000 long term unemployed back into work.

Youth unemployment in particular remains an issue. In September 2022, youth unemployment decreased to 7.9 per cent. However, this is still more than double the broader unemployment rate

² RBA, 2022a.

³ RBA, 2022b.

⁴ RBA, 2022b.

⁵ Australian Bureau of Statistics, 2022b.

⁶ Australian Bureau of Statistics, 2022a.

⁷ Australian Bureau of Statistics, 2022b.

at that time (3.5 per cent).⁸ Understanding why this is occurring and, more importantly, how to address this challenge will be critical going forward.

Skills utilisation

‘Skills utilisation’ is a critical component of full participation in work. The term ‘skills utilisation’ is an important concept but has no broadly agreed definition. It has been defined by Skills Australia in 2012 as:

The ways in which the skills, abilities and aptitudes of employees can be harnessed to benefit business outcomes and, by extension, those of individual workers.⁹

Skills utilisation is important in increasing productivity in businesses and the economy, increasing levels of staff satisfaction and retention, and maximising the return on investment in skills development. Moreover, our view is that increasing skills utilisation will help address some of the workforce shortages being experienced across the economy.

In a recent study, the National Centre for Vocational Education Research (NCVER) conducted an analysis of the Household, Income and Labour Dynamics in Australia (HILDA) Survey and found that around 19 per cent of Australian workers reported that they are not using all of their skills at work and that about 35 per cent of workers are overqualified for their current roles.¹⁰

It also found that the likelihood and perceived importance of skills utilisation appears dependent on the type of job held. High-skilled, complex jobs provide more opportunity for workers to draw on a broader range of their skills than low-skilled jobs.

To date, government policy has tended to focus on skills development and migration rather than workforce participation or skills utilisation.

While skills utilisation has seen increased attention from policy-makers recently, the fact that employee skills use is up to individual businesses means it is difficult to influence at the policy level. Government, in partnership with business and unions, needs to lead cultural change to drive a skills culture on the ground in workplaces.

With more and more young people going to university, the potential for overskilling is real. While being overeducated rather than uneducated is certainly more desirable, there is currently a real opportunity for the business community and governments to work together to ensure that we are not wasting the skills and talent that we already have and the skills we will develop over the next few years.

⁸ Australian Bureau of Statistics, 2022b.

⁹ Skills Australia, 2012.

¹⁰ NCVER, 2021.

2. The future of work and labour market implications of structural change

Recommendation 1

Infrastructure Australia and Jobs and Skills Australia conduct workforce planning for the infrastructure pipeline, based on the sequencing of infrastructure investments.

Recommendation 2

Appoint a Regional Infrastructure Coordinator General with a scope of responsibility including workforce planning and pipeline scheduling. This service must be able to analyse the cumulative impacts of infrastructure projects whose geography and/or timing overlap.

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Recommendation 4

Subsidise content and training providers to design and develop courses in emerging areas within the energy transition and elsewhere.

2.1 The energy transition and tackling climate change to achieve net zero.

The Australia Energy Market Operator indicates that an estimated \$66 billion will be invested in large-scale energy generation, transmission and storage. A series of Renewable Energy Zones (REZs) in regional areas will be the main locations for development of large-scale renewable energy generation and storage.

Access to workers will be the major constraint to the delivery of major infrastructure, including infrastructure that is going to support the energy transition and achievement of net zero. Skills in engineering and electrical trades are those of greatest concern and are critical to energy transition. In addition to new workers, the existing workforce is ageing, which presents a further risk. Infrastructure Australia estimated that 40 per cent in the sector will potentially retire in the next 15 years.¹¹

While new entrants will join the sector, the loss of experience will be significant. This challenge is greatest for project management professionals and civil trades and labour, which have more than 40 per cent of workers over the age of 45.¹²

If worker shortages are not addressed, it will mean one of two things:

- the cost of transition will go up; or
- the timetable for transition will get longer.

¹¹ Infrastructure Australia, 2021.

¹² Infrastructure Australia, 2021.

Either of these outcomes will impact the nation's ability to direct resources to other projects. Should it result in slower progress to net zero, this will undermine our international commitments.

Reducing these shortages will require:

- Attracting more young people into the sector.
- A training system that is more responsive to industry needs and supports the development of more future-focussed training.
- University programming considering focus areas for key energy infrastructure in specific geographic areas.
- More targeted migration of key skills in this area.

The energy transition will also require supporting infrastructure, particularly housing so that people have somewhere to live whilst the infrastructure is built, and to a lesser degree, once it is operational.¹³

In our recent report, *Down to the Wire*¹⁴, Business NSW explored the infrastructure pipeline in the Riverina Murray region of southern NSW as a case study for the rest of NSW. In it, BNSW discovered an energy and transport infrastructure pipeline of more than \$20 billion allocated to projects that are funded or underway, with more planned. Six of those projects (Snowy 2.0, Inland Rail, Project Energy Connect, Snowy 2.0 Connect, VNI West and Hume Link) are estimated to be collectively worth over \$14 billion and are likely to face further cost increases over the coming years as inflationary pressures pile up. The Industry Capability Network estimates these six projects alone will require more than 5000 workers during their construction phases.¹⁵

While strategic investments made by federal, state and local governments have the potential to deliver significant improvements to businesses' access to transport and reliable energy, they should also drive significant economic value to the region providing job and business opportunities. However, with pressures in the infrastructure supply chain and labour market, the ability to deliver all these projects on-time and on-budget is becoming increasingly questionable.

During consultation for that report, we heard from many businesses in the region already struggling to fill vacancies and find suitably qualified workers, with many concerned that these shortages will be exacerbated as competition for available skills increases as major infrastructure projects progress. It also became clear that housing was already in short supply, with an ever-increasing premium as workers are sourced from other regions to work on infrastructure projects.

A key concern for the energy transition is the lack of coordination between projects, particularly those devised and delivered by different departments in different tiers of government and Government Business Enterprises.

To address these issues, we recommend the creation of a Regional Infrastructure Coordinator General, capable of managing the demands from different government departments and non-government infrastructure providers, to avoid overloading the infrastructure pipeline. The role needs to fill gaps in the existing approach which gives Infrastructure NSW a nominal infrastructure coordination role, but omits from its remit Commonwealth projects, projects developed by Government Business Enterprises, and local councils. We also recommend an enhancement of information sharing by major projects about their labour market impacts and better management of the cumulative impacts of multiple concurrent projects.

¹³ Business NSW, 2022b.

¹⁴ Ibid.

¹⁵ Ibid.

Stakeholders' commitment to leaving a last skills legacy in the region were being frustrated by a lack of available workers, a lack of training and a lack of awareness of younger people about the opportunities within the region. Further, there was a series of engagement failures between every level of the education sector (school, VET and university) and industry, resulting in a lack of relevant courses in the region.

In our view, the issues facing the Riverina Murray region have much in common with other parts of NSW encountering infrastructure booms and were further reinforced by a recent report from the NSW Electricity Infrastructure Jobs Advocate.¹⁶

In it, the Advocate found that worker shortages were diverse and span the entire energy sector, from professional workers such as engineers and project developers through to construction workers, riggers, electricians and truck drivers. The Advocate agreed that workforce shortages could inflate costs and cause delays for NSW's REZ projects, leading to worse outcomes for the electricity grid and NSW electricity customers. The Advocate also recommended improved coordination across the infrastructure pipeline.

2.1.1 Energy efficiency

In 2019, there were almost 10,000 people employed in rooftop solar alone. By 2035 this demand could increase to at least 16,000.¹⁷ What is unclear and unknown is whether the workforce will be available to support other forms of increased energy efficiency, for example, to install EV chargers, home batteries and heat pumps for hot water. Some of these tasks could become part of the suite of capabilities for tradespeople such as electricians and plumbers. Others may remain more specialised tasks, requiring more specialist workers.

The lack of skilled workers is a major threat to the opportunity, with a lack of coordination around how to deliver these skills. The two methods of addressing these needs will either be to:

- Train new workers
- Transition existing workers from relevant occupations with top-up (or micro) credentials

While the Clean Energy Council certifies training, it does not appear to have the capacity to get relevant content incorporated into VET qualifications. For example, electricians receive no core training on distributed energy as part of the Certificate III in Electrotechnology Electrician.¹⁸ The Government must ensure that new training for emerging skills can be added at a lower point than traditional training until student flows start to progress through the system. Government must therefore subsidise content and training providers to design and develop courses in these areas.

Furthermore, while the prospect of energy efficiency programs creating large numbers of jobs may have seemed attractive when unemployment was relatively high, the significant labour requirements of energy efficiency programs are much more challenging when unemployment is at record low levels.

It is a common misconception that the coal-fired workforce would be the same workforce as in the new energy sector, largely because of the huge difference in skills required in the two sectors.¹⁹ The NSW Electricity Infrastructure Jobs Advocate found that the vast majority of existing workers in

¹⁶ NSW Government, 2022a.

¹⁷ UTS, 2020.

¹⁸ Australian Government, 2022.

¹⁹ NSW Government, 2022a.

coal-fired power stations were not planning to transition to new energy roles and that most were planning on leaving the sector altogether, with others moving to other coal-fired power stations with later close dates, retraining in new fields or retiring.

For those that will transition, a robust, consistent and transparent Recognition of Prior Learning (RPL) process would support industry professionals to transition into new professions. In NSW the current payment structure to Registered Training Organisations dis-incentivises them from completing RPL. In NSW, the Smart and Skilled Fee Administration Policy²⁰ states:

Where RPL is granted, student fees are calculated as follows:

- The fixed cost of the qualification will be reduced by 50 per cent of the proportion of UoC granted RPL.
- The variable cost will be reduced by 50 per cent of the total cost of each UoC granted RPL.

While RPL can result in a reduced in teaching requirements, this is not commensurate with the 50 per cent reduction in funding. RPL is a time-consuming process not regularly undertaken and can vary greatly. Specific providers could be funded to regularly undertake RPL on a frequent basis for specific occupations.

Finally, the availability of high-quality, industry-endorsed microcredentials will be critical in ensuring that workers with relevant foundational skills will be able to top-up these skills (see Section 5.3.3).

2.1.2 Hydrogen

To achieve ambitious climate goals and respond to impending requirements posed by the burgeoning hydrogen economy, the nation requires a skilled and appropriately-trained workforce. According to Australia's National Hydrogen strategy²¹, it cautiously estimated that the nation will require 7,600 domestic hydrogen-related jobs by 2050. If global markets develop faster, the Strategy estimates that another 10,000 workers would be required.²² If this supply of workers is realised, it will likely create further workforce shortages in associated trades and technologies.

At the moment however, it appears that there are not enough courses in this field, and courses often are not covering appropriate topics to accommodate the potential future growth of this industry sector.

A recent report from Swinburne University analysed training offerings across the vocational education and training (VET) sector and identified crucial trade jobs that will potentially be impacted across the hydrogen supply chain. It found that only one national training package had introduced hydrogen-specific units of competency. It reported that significant developments in training offerings across Australia would need to occur quickly to appropriately respond to the potential demands of the emerging hydrogen economy.²³

Key to the issue is not only the lack of teachers and trainers but ensuring that teachers and trainers are kept up-to-date and fully aware of the opportunities in this space.

There has been progress in the last 12 months, with a focus on increasing consultation and coordination between industry, the education system and governments to ensure all are working together to address these needs but there is still more to do as the sector develops.

²⁰ NSW Department of Education, 2022a.

²¹ COAG Energy Council, 2019.

²² COAG Energy Council, 2019.

²³ Swinburne University of Technology, 2022.

2.2 The transformation associated with digitalization and emerging technologies.

Australia needs an extra 653,000 people to join the tech workforce in the next eight years.²⁴ Busi-

Recommendation 5

Facilitate more opportunities for industry to partner with schools around digital careers awareness.

Recommendation 6

Urgently increase the number of digital technology teachers in schools and work with states and territories to develop new models for engaging industry experts to deliver content.

ness NSW believes that no one has a greater interest in solving this challenge than the industry and industry will be the most passionate stakeholder in fixing this problem.

Business NSW consulted a number of small IT businesses from across NSW during development of this submission. There was significant appetite to train as many young people as possible with migration often recognised as only playing a small (albeit important) part in addressing workforce needs.

2.2.1 Increasing awareness and engagement of careers in digital services

Many businesses reported having additional capacity to train people. However, they also reported a lack of young people interested in IT careers or reaching out to IT businesses for employment.

The consensus view was that schools had the biggest opportunity to influence the way young people think about digital careers. Businesses saw a need to promote IT in schools and give the industry more opportunities to engage with education.

Businesses also reported that primary schools tended to do a great job of making digital skills enjoyable and interesting. However, this approach tended to change when it came to high schools. Years 7 and 8 were considered particularly critical years and that the current syllabus was not sufficiently engaging.

This reduced the number of students opting to study Information and Software Technology as an elective in Years 9 and 10 which meant that many young people were not being made aware of the myriad careers available in IT until they were 18-19 years old, by which time it is often 'too late' as they will have chosen an alternative career path.

The NSW Government recently released a new Computing Technologies curriculum for implementation from 2024 which aims to address these concerns.²⁵ However, a key challenge to its successful implementation and addressing the issues identified, will be the lack of IT teachers. This is a critical issue facing the sector and is at least in part due to the skills and qualities for a great IT teacher being the same as those for an IT trainer or IT Sales Engineer, but with lower earning potential. In NSW, the Government is aiming to address this by significantly raising pay rates for outstanding teachers.

²⁴ Tech Council of Australia, 2022.

²⁵ NSW Government, 2022b.

There was much appetite from small businesses to work more closely with schools, and give students more exposure to IT careers, for example through: offering seminars in school hours; work experience / work placement for students; and engagement with careers advisors.

Businesses reported mixed levels of success in engaging with high schools, particularly in the public sector. One business reported reaching out to the local public high school and being rebuffed in their attempts to engage with them due to capacity and time constraints. It is noted that in NSW, the Regional Industry Engagement Partnerships (RIEP) program has been designed to help address this specific issue.

2.2.2 Digital training and careers

There are two pathways into digital careers: trade pathways with VET training provided by a Registered Training Organisation (RTO); or via a degree-pathway. Irrespective of training pathway, many businesses reported that most workers require three to six months of business-specific training and upskilling before becoming fully productive. This remained a requirement even when employing experienced staff from another employer, due to differences in process or vendors specific to that business.

Businesses reported that it was better for employees to *not* have gone to a training provider but just to have started work instead. It was the general view that VET graduates had been taught to follow a process, with little error checking conducted during the course, and employees struggled if specifications were different to those in the course.

Most small businesses consulted felt that the best employment outcome was often someone undertaking a short course (meeting minimum standards) in parallel with a significant workplace learning component, rather than lengthy specific training.

Businesses emphasised the lack of connections between employers, local Universities and RTOs, especially TAFE. There was appetite from businesses for greater involvement in the teaching and training of tertiary and VET students, but there were barriers to doing so, such as requirements around training qualifications, which precluded many from supporting the delivery of training.

Accordingly, there needs to be greater flexibility for industry to assist with the teaching of digital skills in schools, VET and university. Engagement could be through industry associations, bringing in experts to discuss or present on specific subject areas. There was significant appetite and willingness from small businesses to be involved with such a model.

2.2.3 Emerging technologies and automation

Recently, the NSW Productivity Commission launched its report *Adaptive NSW: how embracing tech could recharge our prosperity*.²⁶ Its modelling shows that rapid automation would not increase unemployment in NSW. Rather, jobs and work tasks will become more flexible, cognitive, and social. Whilst most new jobs will still be created in services, new and expanding industries will also create high-skill, high-pay, tech-related jobs.

The Commission also suggests that if emerging technologies are widely adopted, they could potentially increase productivity growth in NSW to 2.0 per cent a year and lift the growth rate of real Gross State Product to 3.0 per cent a year to 2035.

²⁶ NSW Productivity Commission, 2022.

Issues remain around ensuring that the NSW workforce has the digital skills to meet these changes.

2.3 Building more resilient supply chains in a changing geopolitical landscape.

Recommendation 7

Ensure that supply chain resilience extends beyond manufacturing and increases flexibility within the migration and training systems to address critical needs.

Governments across Australia have emphasised the importance of building resilience into supply chains in the wake of the disruption during the COVID-19 pandemic. As with most other areas of economic activity at present, skills and labour constraints are critical barriers.

Discussion of supply chain resilience has focused primarily on the manufacturing sector. After all, it was shipments of physical goods that were most disrupted by port closures, flight suspensions and truck driver unavailability during the pandemic. The previous Australian Government identified six sectors for its Modern Manufacturing Strategy (space; medical products; resources technology and critical minerals processing; food and beverage; defence; recycling and clean energy).²⁷

The current Australian Government has indicated its intent to move beyond that framing, though the exact parameters of its revised approach are still to be finalised. Regardless, the challenge faced by Government will be the same as that which made growth in the six original sectors difficult – namely they all require hard-to-find skills.

When it comes to resilience of supply chains, governments should not limit their scope of reference to manufacturing. As recent developments have made abundantly clear, vulnerabilities to supply chains can also be created through a lack of cybersecurity. Software and technology workers are another key factor in creating a healthy, resilient economy – yet are also in short supply.

One of the lessons to be learned from the pandemic is that supply chains are only as resilient as the labour markets on which they depend. Freight trucking, for example, was significantly disrupted despite being an almost entirely domestic industry, due to restrictions on people's movements, isolation requirements and state border closures during the pandemic.

While it is possible to go through industries and sectors, and point to occupations in shortage, a systemic review should consider changes to the system itself. And, in an environment of uncertainty, systems need to be flexible so that they can respond quickly to changing needs and circumstances. The migration system built around the skills shortage list system is too rigid to accommodate sudden changes in industry needs.

The picture is worse still for vocational education. Key sectors such as electrical trades are years behind current practice. The system shows little ability to change with the times when change is occurring incrementally, let alone to respond rapidly to sudden shifts in needs created by an unanticipated crisis. The need for a supplementary system of micro-credentials is key.

²⁷ Department of Industry, Science and Resources, 2020.

3. Job security, fair pay and conditions, the role of workplace relations

Recommendation 8

BNSW recommends that any endeavour to promote job security, should be underpinned by policies that improve the security of enterprises and economy, through deregulation, economic growth and less inflationary pressures.

Recommendation 9

BNSW recommends that the White Paper examine the issue of job security in a context that recognises that forms of work labelled as insecure provide significant benefits to workers and the broader economy.

Recommendation 10

The White Paper should consider the promotion of job security and fair pay and conditions in light of the fact that our already complex workplace relations system is likely to become more complex with the amendments that have been introduced in the Secure Jobs Better Pay Bill.

The Issues Paper provided ahead of the Jobs and Skills Summit held in September 2022 provided that working conditions outside of permanent work poses concerns on the impact on job security, fair pay and conditions.

However, the Issues Paper simultaneously identifies that labour hire, casual, rolling fixed term and gig economy work provide greater options to both businesses and workers. By way of example, some of these forms of work enable enterprises to respond in an agile manner to changing operational or customer demands.

This is the challenge the Government must grapple with when it comes to regulating forms of work perceived as 'insecure'.

Care needs to be taken to identify why certain forms of work are being utilised by employers and employees alike and to ensure that arrangements can still be adopted that preserve the flexibility and productivity outcomes needed to operate in the modern workplace.

BNSW recommends that any endeavour to promote job security, should be underpinned by policies that improve the security of enterprises and economy, through deregulation, economic growth and less inflationary pressures.

BNSW also recommends that the White Paper examine the issue of job security in a context that recognises that forms of work labelled as insecure provide significant benefits to workers and the broader economy.

3.1 Casual employment

To the extent that the Government is considering regulating casual employment, a few basic principles warrant consideration.

First and foremost, businesses and the economy thrive on certainty. Whilst BNSW opposes any changes to the definition of casual employment which has only recently been introduced into the Fair Work Act, if the Government is considering changes, any changes must deliver an outcome whereby contracting parties can have certainty regarding the form of employment they are agreeing to.

Secondly, to the extent that changes to the laws pertaining to casual employment re-enliven the ability for employees incorrectly identified as casuals to bring claims for unpaid leave, notice of termination and redundancy entitlements, the Government needs to recognise the role played by the payment of a casual loading. Both parties to the contracting relationship expressly agree that the casual loading is paid in lieu of permanent employment entitlements - which explains why casual rates of pay are higher than permanent employment rates.

It is illogical, arbitrary and inherently unfair to permit casual employees to accept the payment of a casual loading with respect to certain work but then claim leave entitlements for the same period. Such an outcome - commonly referred to as 'double dipping' - does not resonate with Australian community values and will not be well received by the community. It also sits inconsistently with the objects of the Fair Work Act, which promote a "balanced framework" for "productive workplace relations" that are "fair". For this reason, the existing drafting of s545A of the Fair Work Act must be retained as part of any reforms of casual employment.

3.2 The Secure Jobs and Better Pay Bill

The Secure Jobs and Better Pay Bill (the Bill) has now passed both Houses and is set to become law. Any discussion regarding the improvement of job security and fair pay also needs to be considered in the context of the Bill.

The Bill:

- (a) substantially limits the ability to engage in fixed term contracting (an issue pertaining to job security); and
- (b) introduces wide-ranging enterprise bargaining reforms which:
 - (i) introduce multi-employer bargaining to the whole economy in a way not previously accessible;
 - (ii) provide for arbitration of bargaining disputes across the board (where this was previously only available by consent outside of extraordinary circumstances); and
 - (iii) provide a capability to commence bargaining for enterprise agreements even where an employer does not agree, provided an enterprise agreement applied to the same workforce previously and expired less than 5 years ago.

All of these reforms will substantially impact upon the matters identified in the White Paper and will substantially dampen the need for further reform.

In essence, the matters identified in the White Paper and the Outcomes from the Jobs Summit have largely been addressed in the Bill.

3.3 The role of workplace relations more generally

The Australian workplace relations system is complex, rigid and elements of it could benefit from reform. The rigidity and complexity ultimately burden, disproportionately, small businesses that do not have the resources of large businesses who have access to human resources and in-house legal teams.

A complexity commonly identified by businesses is the modern award regime which serves as the minimum safety net of terms and conditions that varies between industries and across occupations. The reality is that the modern award system is complex. There are lots of different rules for what payments apply at what times, when allowances are paid, when breaks can be taken (and what penalties and meal allowances apply when breaks are taken), whether an employer can direct the taking of paid leave (or close down its workplace on an annual basis), etc. Some awards span for hundreds of pages.

Small businesses wanting to avoid the complexities of the modern award regime are required to enter into the enterprise bargaining system, which, while it may offer some degree of greater flexibility and bespoke employment conditions, is broadly unavailable to such businesses due to the sophistication required to bargain.

As previously indicated, the legislation introduces a range of reforms across enterprise bargaining, fixed term contracting, flexible work arrangements and job advertisements - with new powers being conferred on the Fair Work Commission to arbitrate a range of disputes from bargaining to flexible work requests.

The White Paper should consider the promotion of job security and fair pay and conditions in light of the fact that our already complex workplace relations system is likely to become more complex with the amendments introduced in the Bill.

Caution accordingly needs to be taken before introducing yet more reforms that increase the regulatory burden on small and medium sized businesses.

4. Pay equity, including the gender pay gap, equal opportunities for women and the benefits of a more inclusive workforce.

Recommendation 11

That the White Paper consider that any endeavour to promote the alleviation of the gender pay gap, first allow time for the new provisions to take effect in the new legislation so as to be in a better position to consider what else could be done through the workplace relations system.

The Outcomes Paper provides that pay equity specifically related to gender shall become part of the objects of the *Fair Work Act 2009* (Cth). Additionally, the Outcomes Paper contemplates the possibility of introducing the concept in legislation that workers performing the same job should be receiving the same remuneration.²⁸

In addition to this, the Outcomes Paper considers the prohibition of pay secrecy clauses so as to give employees the right to disclose their remuneration if they wish as another way in which pay equity can be attained.²⁹

The Bill introduces the prohibition of pay secrecy.³⁰ The Bill also includes a suite of new provisions to facilitate the bringing of gender-based pay equity claims, including:

- a) the insertion of objects into the Fair Work Act seeking to promote gender equity;
- b) the insertion of a new objective that provide that modern awards should seek to eliminate gender based undervaluation of work and provide workplace conditions that facilitate women's full economic participation;
- c) the insertion of the need to achieve gender equality in the objectives that the Fair Work Commission must take into account in setting minimum wages; and
- d) the introduction of new Expert Panels, to be comprised of specialist members, to hear and consider pay equity, Care and Community Sector, and pay equity in the Care and Community Sector cases.

BNSW recommends the White Paper consider that any endeavour to promote the alleviation of the gender pay gap, first allow time for the new provisions to take effect with the Bill so as to be in a better position to consider what else could be done through the workplace relations system.

It is clear changes to policy and legislative actions are already underway with the changes introduced by the Bill, targeted specifically at improving pay equity and further narrowing the gender pay gap, or to broadly support women's participation in work.

In light of the changes introduced, there may need to be a reconsideration regarding whether further reform is required in this area. A more considered approach may be to review the impact of the Bill's provisions in 2 years' time (as is presently proposed) to understand whether the reforms have achieved their desired aims.

²⁸ Outcomes Paper (n 1) 6.

²⁹ Outcomes Paper (n 1) 6.

³⁰ Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022 (Cth) s 333B.

The White Paper may also seek to consider how employers and employees can be provided with practical resources needed to assist each of the parties in undertaking their agreed priorities to keep women in work, develop rewarding progressing careers and improve overall performance in pay equity.

5. Labour force participation, labour supply and improving employment opportunities

5.1 Reducing barriers and disincentives to work

Given the low unemployment rate and the extensive labour shortages, there is no better time to support people into work. The number of Australians today that have been unemployed for more than 52 weeks has fallen to 105,700, the lowest number since 2011.³¹ However, this means that almost a quarter of all unemployed people (453,900) are long-term unemployed. Accordingly, it is Business NSW view that there are opportunities to decrease the number of long-term unemployed even further, by reducing barriers to employment, and increasing motivation, sense of self-worth and job readiness. Many businesses consulted during development of this submission reported that they prefer to recruit on attitude rather than solely on skills and experience.

The new Workforce Australia digital platform appears to have simplified business access to jobseekers in the digital caseload. Business NSW anticipates that the new platform will address many of the complaints received from businesses to date. However, businesses continue to raise concerns around the process to engage with Workforce Australia and particularly the need to create a digital identity.

5.1.1 Female participation, access to childcare and diverse occupations

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.³² 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. This is not necessarily by choice — Australian women have one of the highest rates of involuntary part time employment of all OECD countries. In 2019, this was more than double the OECD average.³³

With the current skills and labour shortages, there has rarely been a better time to putting every effort into increasing female participation in the workforce.

One of the key methods will be to increase access to affordable childcare. Earlier this year, the NSW Government announced a further \$1.3 billion over 4 years to make preschool more affordable and up to \$5 billion over 10 years to create a fund for addressing barriers to quality early childhood education. The first is a permanent extension of a the Start Strong Free Preschool program introduced in 2020 – but both programs are landmark investments in what is traditionally Australian Government space.

It was therefore pleasing that the Federal Budget committed \$4.5 billion for more affordable childcare. It is anticipated that this will increase access to childcare for many and address some of the childcare ‘deserts’ being experienced across NSW.

Of note, women represent only 2 per cent of the trades’ workforce. 63 per cent of employers said the biggest issue was women not applying for roles.³⁴ There is a need to revisit perceptions around working in industry, the type of work undertaken and the benefits of VET qualifications.

³¹ Australian Bureau of Statistics, 2022b.

³² Australian Bureau of Statistics, 2022b.

³³ OECD, 2022.

³⁴ Trades Women Australia, 2019.

5.1.2 Foundational literacy, numeracy and digital literacy

Poor literacy, numeracy and digital literacy have been longstanding challenges to workforce participation. In the Business NSW 2022 Workforce Skills Survey, more than 30 per cent of businesses identified these foundational skills as the key reason why young people were *not at all* prepared for the workforce.³⁵

Employers expect people to have foundational skills upon commencement of employment. In this competitive labour market, businesses will likely have even greater expectations that people will possess these core capabilities. Greater focus on supporting everyone to have foundational skills is critical.

For example, the NSW Government this year announced \$5.8 billion over 10 years to extend schooling for another year. This is an exciting long-term investment in the state's education system that will help address some of the foundational literacy and numeracy issues still being witnessed, with the added bonus that it will also result in a boost to workforce participation as more families can afford to return to work.

The Australian Digital Inclusion Index is a reminder that more needs to be done to support digital literacy. Whilst the number of Australians who are highly excluded has declined, it remains substantial with 11 per cent of the Australian population highly excluded. There remains a significant divide between metropolitan and regional areas around digital inclusion. Affordability remains central to closing the digital divide.³⁶

5.2 Improving labour market outcomes for those who face challenges in employment

5.2.1 Youth engagement and employment

Recommendation 12

Work with states and territories to continue to improve careers advice in schools, in collaboration with Jobs and Skills Australia and Industry Clusters.

Recommendation 13

Provide more mental health outreach services for young people.

Recommendation 14

Align VET in Schools programs more closely with employment growth areas and emerging occupations and introduce reforms nationally similar to the NSW Curriculum Reforms.

The Australian Bureau of Statistics (ABS) reported that most young Australians aged 15-24 years were participating in some work or study, or a combination of both, with 82 per cent fully engaged in work and/or study, and a further 10 per cent partially engaged (part-time work or study).³⁷

³⁵ Business NSW, 2022a.

³⁶ <https://www.digitalinclusionindex.org.au/key-findings-and-next-steps/>

³⁷ ABS, 2022.

However, 8 per cent of young people were disengaged entirely – or around 240,000 young people across the country not in any form of education, employment or training (NEET).

This almost quarter of a million young people is in the context of near-record job vacancies – 150,000 in NSW and 470,000 nationally³⁸ – with large employers reporting shortages of hundreds, if not thousands, of entry-level workers, and others desperately trying new methods of recruitment in an effort to find staff.

Youth engagement and unemployment rates remain concerningly high despite efforts to support young people into employment. In a previous Skillsroad Youth Census³⁹, Business NSW found that:

- working is consistent with higher levels of well-being for young people;
- apprenticeship pathways result in the highest level of well-being for students than any other pathway;
- feeling cared for and supported at work was consistent with higher levels of well-being.

Our findings support the view that personalised human support for young people results in improved job outcomes. It is pleasing therefore that Transition to Work has been extended and brought into the Workforce Australia model.

It appears that one of the challenges is a disconnect between young people's perceptions of the job market and the situation. Business NSW heard from more than 5000 young people in our 2022 Skillsroad Employment Survey⁴⁰ and 17 per cent reported there were no vacancies in their chosen industry. Of further concern, around 25 per cent did not feel skilled enough to work and 30 per cent didn't apply for entry-level roles because they felt they weren't skilled enough.

Business NSW has been a provider of the NSW Government funded Youth Employment Innovation Challenge (YEIC) which aims to support young people not in receipt of benefits nor in education or training to transition into employment. Our experience found that there is a large number of young people not receiving any government benefits, nor in contact with any other wraparound support services, but none of this encourages them to get a job. In fact, in our experience, it is quite the opposite.

Not being engaged to any support services makes it incredibly difficult for employers to connect with these young people and the more disengaged they become, the less likely they are to seek employment. In our experience, withdrawing financial support disengages them even further.

5.2.1.1 The Youth Employment Innovation Challenge (YEIC)

The Business NSW YEIC intervention involved a career coach providing one to one support to help young people with resume preparation, unpacking the results of our Skillsroad tools and providing them additional assistance to address other barriers such as access to IT and transport.

Young people were particularly vulnerable to disengaging when making the transition from school to further education or work. An evaluation of the YEIC (unpublished) found significant improvements in confidence and job readiness in participants in the program. The Australian Government is encouraged to consider those findings.

³⁸ ABS, 2022a.

³⁹ Skillsroad, 2018.

⁴⁰ Skillsroad, 2022.

5.2.1.2 Matrix of programs

One of the challenges reported by young people during the YEIC was, ironically, the significant amount of support services available for young people to find a job.

There are numerous State, Federal and Local Government programs available to support people into employment, with overlap and a lack of clarity for young people (and businesses) in what each does. This can make it hard to cut through the noise as a young jobseeker. The number and diversity of employment programs can be confusing.

5.2.1.3 More outreach support for mental health

The mental health of young people, especially after the last two years, is a significant challenge. One in three respondents to the Skillsroad Employment Survey said they weren't working due to problems with their mental health.⁴¹

This finding indicates a chronic need for more mental health outreach services. The Survey also found that as soon as young people received mental health support, they had not realised they needed it nor how much they would benefit from it.

5.2.1.4 Improve work readiness

In the YEIC, we found that there is a big gap in work readiness, despite the myriad programs available. This was reinforced in the BNSW Workforce Skills Survey 2022 which found that 71 per cent of employers felt that young people were either not at all or only somewhat prepared for work. 73 per cent of businesses felt that employability skills training would help young people understand what employers expect in the workplace. 61 per cent felt that more work experience or work placements would assist.

Governments of all levels have been funding youth employment programs for many years. It now ought to be clear what works and what doesn't in respect of youth employment and engagement. It would be timely to evaluate these learnings, and scale-up effective programs, ensuring that funding provided is linked to employment outcomes.

Existing youth employment programs, such as the Transition to Work, need to be promoted more strongly, through schools and community groups. It is our view that pre-employment programs would be highly beneficial in giving young people the practical skills needed to be successful in the workplace.

5.2.1.5 VET in Schools programs

Currently, VET in School programs are not aligned with projected growth occupations. Data from the NCVET shows that tourism, travel and hospitality, business services and sports, fitness and recreation are the three most popular areas for VET qualifications in schools.

In comparison, the National Skills Commission / Jobs and Skills Australia projects that the three largest growth areas to 2026 will be health care and social assistance, professional services, and education and training.⁴² Construction ranks far higher than sports, fitness and recreation for projected jobs growth. These courses can't truly be called "vocational" if they are not realistically preparing young people for an occupation.

⁴¹ Skillsroad, 2022.

⁴² National Skills Commission, 2022.

Accordingly, the Australian Government should consider implementing reforms nationally that are already being introduced in NSW to remove the bifurcation between VET and academic pathways in schools. In the meantime, there is a need for far greater alignment between the uptake of VET in Schools training packages and projected growth occupations.

5.2.2 Employing people with disability

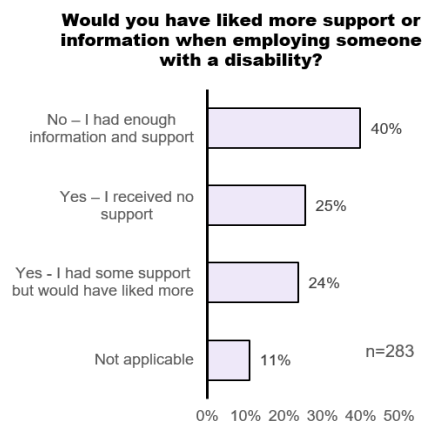
Recommendation 15

Disability employment services and the NDIA work more closely with employers to provide support for the business and the employee upon commencement of employment.

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.⁴³ 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.⁴⁴

In our September 2021 Business Conditions Survey, Business NSW asked almost 1000 business (n=943) about their experiences employing people with disability. Only 27 per cent agreed that they understood how the National Disability Insurance Scheme (NDIS) could assist their business in employing people with a disability.⁴⁵

Of the 30 per cent of businesses that had ever employed someone with a disability, only 40 per cent reported that they had had enough support and information when employing that person. Almost half of respondents would have liked more support (see table below). Accordingly, Business NSW believes there is an opportunity for disability employment services and the NDIA to work more closely with employers to address misconceptions and provide greater support to both the business and the participant in the first few months of employment.



⁴³ ABS, 2020.

⁴⁴ Ibid.

⁴⁵ Business NSW, 2021.

5.2.3 Older Australians

Recommendation 16

Increase the Aged Pension Work Bonus to \$15,600 per annum (as at time of writing) and extend the policy until at least 30 June 2024.

The labour force participation rate for older people in Australia is lower than many OECD countries.⁴⁶ 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.

It is pleasing that the Aged Pension Work Bonus was increased to \$11,800 per annum in the most recent Budget. However, we estimate that this equates to only an extra half day of work each week before they reach their pension threshold.

Pensioners would be further incentivised if the Work Bonus were doubled to \$15,600 per annum (as at time of writing), which would allow approximately 2 days per week of work. Further, the current increase is only in place until 31 December 2023 and should be extended further, until at least 30 June 2024, with a review conducted before its expiry to assess the effectiveness of the initiative.

Business NSW is supportive of the Skills Checkpoint for Older Workers program to help people transition into new roles.⁴⁷ It is pleasing that the entry criteria have been reduced to 40 years of age or older from 1 January 2022.

5.2.4 People from Culturally and Linguistically Diverse (CALD) backgrounds

Recommendation 17

Provide support services for refugees and asylum seekers, potentially through Workforce Australia.

Skilled migration has long been a part of the solution to our workforce needs with more than 500,000 skilled migrants moving to Australia since 2016.⁴⁸ And it is not just the private sector that benefits from skilled migration but the community as a whole with registered nurses and teachers as some of the most sought after skills in Australia. The majority of skilled migrants have Culturally and Linguistically Diverse backgrounds.⁴⁹

Most skilled migrants arrive independently – with the most recent Migration Program Report indicating that only 30 per cent of skilled migrants are employer sponsored each year⁵⁰. With

⁴⁶ AIHW, 2021a.

⁴⁷ <https://skillscheck.com.au/>

⁴⁸ Australian Government, 2021.

⁴⁹ Department of Home Affairs, 2022.

⁵⁰ Department of Home Affairs, 2021.

70,000 skilled migrants usually entering Australia independently each year, there is a real risk that their skills are not being fully utilised.

Research indicates that as many as one in four permanent skilled migrants are working in a job beneath their skills level. This research also estimates that this skill under-utilisation is costing the Australian economy at least \$1.25 billion.⁵¹

A study from Monash University considered how highly skilled migrant women from non-English-speaking backgrounds are navigating the labour market barriers and integrating into the Australian labour force.

It found that many highly skilled women face double disadvantaged resulting in high rates of exclusion from the Australian labour market. As a result, they become less employable and often ended up with lower salaries than previous employment in 'home' countries.⁵²

As the numbers of skilled migrants, working holiday makers and international students increase after the pandemic, it is possible that current on-shore migrants will be preferenced below new migrants – resulting in further loss to the economy at a time when it needs as many skills as possible.

Research points to a multitude of factors behind this under-utilisation including

- Transparency, coordination and fairness;
- System navigation; and
- Local networks and experience;

5.2.4.1 Transparency, coordination and fairness

The system is complicated and can be costly to navigate. As part of the development of this submission, BNSW heard of examples of the barriers in cost and time that on-shore migrants often face.

One example was of temporary resident skilled migrants applying for permanency but being advised by the Department of Home Affairs to resit the same English test they took for temporary visa applications. Personal circumstances were not taken into consideration for this decision i.e. previous English scores; type of occupation; and time in Australia.

5.2.4.2 System navigation

Cultural and language differences, and the Australian bureaucracy, can make it hard to navigate the system at the best of times. But having to understand processes around skill recognition, professional registration, job seeking and job applications can make it virtually impossible for new migrants to navigate.

Notably, this is an issue not just for migrants but also for other new entrants in the workforce.

Navigating this complex system can prolong entry to the workforce and disengage. Given that many migrants have families to support, it can be easier to find well-paid work that is able to support them but does not fully utilise their skills, thereby 'losing' those skills in the economy.

⁵¹ CEDA, 2021.

⁵² O'Dwyer, M and Colic-Peisker, V, 2016.

5.2.4.3 Local networks and experience

Research has found that only approximately one third of migrants who had been successful in formal recognition of their skills in Australia were using their skills in their current employment, and over half of those who indicated formal recognition was not required in their field were also not utilising their skills in their current employment.⁵³

There is a growing understanding that formal recognition of skills is far from synonymous with utilisation of those skills. The recognition of professional experience obtained overseas and the importance of local networks to secure a first job in Australia is critical for optimising productivity.

5.2.4.4 Additional support mechanisms

The Australian Government provides few wrap-around support to refugees. Activities involved with skill recognition from Workforce Australia are often not included as approved activities for job-seeking refugees. This can leave migrants with a choice between reskilling (usually at a lower level) in another field or having their support payments reduced during often lengthy examination and registration processes.

Consequently, the NSW Government has provided funding of \$27.5 million over 5 years to support the creation of the Refugee Employment Support Program (RESP).⁵⁴ RESP provides wrap-around supports to:

- Become work ready / gain sustainable and skilled employment
- Improve English language skills and access other education and training
- Access mentoring and job-search support
- Gain recognition of overseas skills/qualifications
- Overcome transport barriers

This type of program would fit more squarely with Workforce Australia and other Australian Government supports. It could also be expanded to support asylum seekers as well as refugees.

5.2.5 Aboriginal and Torres Strait Islander People

The National Aboriginal and Torres Strait Islander Health Survey 2018–19 conducted by the Australian Bureau of Statistics, provides the most recent data on employment rates of Indigenous Australians.

Between 2007–08 and 2018–19, the overall employment rate for Indigenous Australians dropped from 54 per cent to 49 per cent, while the rate for non-Indigenous Australians remained stable at roughly 76 per cent.⁵⁵

In the 2017–18 to 2018–19 period, the overall gap in employment rates between Indigenous Australians and non-Indigenous Australians was 27 percentage points.⁵⁶ Given that the Aboriginal and Torres Strait Islander population has a relatively young age structure, it is probable that young Indigenous people are particularly affected by poor employment.

The NSW Government is developing a long-term Strategy to support the economic participation of

⁵³ Webb, S, 2015.

⁵⁴ NSW Department of Education, 2022b.

⁵⁵ AIHW, 2021.

⁵⁶ Ibid.

Aboriginal people within NSW. The Strategy is intended to set the plan for delivering long-term sustainable employment and growth opportunities for Aboriginal people, as well as delivering on Closing the Gap economic targets.

Business NSW supports the development of this strategy and notes the importance of ensuring that Aboriginal people are central to its development and the need for greater partnerships between industry, government and Indigenous communities.

5.3 Skills, education and training, upskilling and reskilling, including in transitioning sectors and regions.

Recommendation 18

In partnership with States and Territories, commit to a real-terms funding increase to the VET sector over the life of the agreement

Recommendation 19

Ensure that future funding commitments are offered to the independent training sector as well as TAFE Institutes.

Recommendation 20

Support new Industry Clusters to introduce streamlined processes for minor qualification updates.

Business NSW recognises the need for a modern VET system to deliver the skills we need.

All three education sectors are critical in skills development and the productivity benefits arising from training. While qualifications may not necessarily be required for a particular position, training can lead to an increase in the quality of labour and productivity, by equipping employees with greater skills and knowledge (and possibly fostering greater effort), supporting flexibility throughout careers and delivering foundational skills that can sometimes be lacking.

Despite the ongoing importance of the VET sector in delivering skills, the sector has seen a dramatic reduction in funding over the last 10 years. Funding has not kept pace with population growth, growth in salaries, infrastructure investment nor the growth in government funding to other education sectors over that same period.

Total state and Australian Government funding to the VET sector was \$5.6 billion in 2020.⁵⁷ In 2010, this figure was \$4.9 billion⁵⁸ – representing a decrease in funding over the last 10 years in real terms.

The Expert Review of Australia's Vocational Education and Training System found that government funding for VET is the lowest of the three education sectors and that growth in VET funding has been far outpaced by growth in funding to other education sectors.⁵⁹

⁵⁷ Productivity Commission, 2022.

⁵⁸ Productivity Commission, 2012.

⁵⁹ Joyce, S, 2019.

In 2016-17, funding to the VET sector was around \$12,500 per FTE, compared to \$22,000 per FTE in higher education and \$15,000 per FTE in schools.⁶⁰

VET qualification costs are increasingly being met by students and employers. Funding inconsistency and uncertainty hinders the ability of providers to meet the demands of students and businesses, with businesses frequently reporting that VET courses, particularly in regional areas, are often full, cancelled or unavailable due to funding constraints.

Further, the VET system should not be conceived as a narrow system of TAFE Institutes aimed at young people and solely delivering apprenticeships and traineeships. Over half of the 4.3 million total VET students in 2021 were over the age of 30. For apprenticeships and traineeships, over 30 per cent of students in training were over the age of 25.⁶¹ And in 2021, 3.2 million students (74.1 per cent of all VET students) were enrolled in nationally recognised training at private training providers.⁶²

In the Heads of Agreement for Skills Reform published in August 2020, there was a commitment to increase real investment in VET, while undertaking agreed reforms needed to ensure this investment will improve outcomes for Australians and the economy.⁶³

However, the recent Vision and Principles agreed by Skills Ministers and endorsed by the National Cabinet on 31 August 2022 notably does not contain such a commitment.⁶⁴

It is unclear whether this means whether there will be an increase in VET funding in the future and how this will impact the sector.

The Australian Government's focus has been on directing funding primarily to TAFE Institutes. Business NSW receives significant feedback from businesses regarding the lack of capacity to deliver training at TAFE, especially to apprentices and trainees and especially in regional areas. Consequently, Business NSW recommends that future funding commitments are provided to the independent training sector as well as to TAFE.

5.3.1 A flexible and responsive VET system, with industry engagement at the centre

Training development remains a significant challenge to the VET system, causing frustration to stakeholders and reducing the responsiveness of the overall system. For example, a recent review of the Certificate III in Individual Support took more than a year to be approved and released after it had been approved by the Australian Industry Skills Council. This is unacceptably long, especially for such a critical qualification.

A balance is required between ensuring that industry and employers have sufficient input to the development of training for their industries, and not over-burdening or over-complicating the system. The new Industry Clusters are an interesting rationalisation of existing arrangements, and it is anticipated that the new model will ensure industry bodies are central to training development.

Business NSW is strongly supportive of developing a streamlined process whereby industry has a lead role in the development of training with the Industry Clusters. These new organisations should prioritise the development of new qualifications where there are none, particularly where there are

⁶⁰ Ibid.

⁶¹ NCVET, 2022e.

⁶² Ibid.

⁶³ Department of Prime Minister and Cabinet, 2020.

⁶⁴ Department of Employment and Workforce Relations, 2022.

increased or new industry training needs.

To improve speed to market, the role of minor amendments to training packages should be broadened to allow changes to take place at the Cluster level, subject to an agreed process of industry consultation. These minor amendments can be adopted by RTOs at their option without compulsion. This way, rapid industry change can be reflected in training delivery by the nimbler providers without forcing major and frequent change on every provider. This is a preferable approach to the push to have complete packages updated every 18 months – which is one current suggestion – which would be expensive and have major implications for the cost of training delivery.

5.3.2 Apprenticeships and traineeships

Recommendation 21

Focus efforts on supporting apprentices and trainees in the first 12 months of the apprenticeship.

Recommendation 22

Design and develop a pre-apprenticeship model in collaboration with industry and based on best practice.

The apprenticeship system is crucial in delivering the pool of skilled workers needed to address and alleviate persistent skills shortages in key nation-building occupations. These skills shortages are holding back projects, businesses and greater overall productivity and growth.

Apprenticeships are often the only pathway to critical nation-building occupations. The importance of apprenticeships in delivering the skills needed for growth is widely reported in research, recognised by businesses, government projects, and across the community. Lengthy wait times to access skilled people, or organisations with skilled people, are widespread as post-pandemic demand for skilled workers outstrips supply.

Employment outcomes are extremely positive for completers of an apprenticeship. In 2021, 94.0 per cent of trade apprentices and 88.4 per cent of non-trade apprentices were employed after completing their training⁶⁵ compared to 88.1 per cent of university graduates who were in some form of employment after completing a degree.⁶⁶

5.3.2.1 Increasing completion rates

Completion rates for apprentices are at least as good as those for university peers. Within a four-year period, completion rates are comparable between university and apprenticeships. For university commencing domestic undergraduate students from 2017, only 41.7 per cent completed within a four-year period⁶⁷ compared to 56 per cent of apprentices in 2021⁶⁸.

⁶⁵ NCVET, 2022d.

⁶⁶ Quality Indicators for Learning and Teaching, 2022.

⁶⁷ Department of Education, 2022.

⁶⁸ NCVET, 2022c.

Despite this, apprenticeship and traineeship individual completion rates remain lower than ideal and most recent figures show that completion rates have been falling, down 1.2 percentage points for all occupations between those commencing in 2016 and 2017.⁶⁹

NCVER data indicates that a significant proportion of apprentice and trainee contracts that commenced were cancelled / withdrawn within the first year. For the 2016 commencing cohort, this was more than a third of cancellations / withdrawals.⁷⁰ This is lower than previous research which found that 60 per cent of those who leave do so within the first year.⁷¹

Efforts to increase completion rates should therefore focus on initial entry pathways and the first 12 months of an apprenticeship or traineeship, especially the need for better matching, pre-apprenticeship education and industry exposure, and exit and entry pathways.

5.3.2.2 Pre-apprenticeships

To help improve completion rates, Business NSW recommends greater focus on pre-apprenticeship programs to help young people understand the requirements of them at work and to try the occupation, before committing (as well as committing the employer) to a four-year apprenticeship or 1-2 year traineeship.

Pre-apprenticeship programs are currently poorly defined and lack recognition. The lack of a nationally accepted and applied definition of pre-apprenticeships means they often operate in a training limbo. Too often, pre-apprenticeship programs are unable to deliver outcomes for students because they are developed and delivered without shared expectations or industry engagement. There is an opportunity for the Government to address this failing by introducing industry supported pre-apprenticeship programs, that could receive Recognition of Prior Learning towards a formal apprenticeship qualification.

Of note, the National Electrical and Communications Association (NECA) has completion rates of 90 per cent⁷², some 30 per cent higher than the trade completion average. NECA run pre-apprenticeship programs twice a year for male and female students and are at least partially attributable to the higher completion rate.

A further example of a successful pre-apprentice program is the Multi Industry Pre-Apprenticeship Project run by the Apprenticeship Employment Network in Victoria.⁷³ Even though only 37 per cent of participants resulted in apprenticeship outcomes, 92 per cent of participants reported that the program helped in making a career decision and more than half of participants had a change in career interest by the end of program.

Pre-apprenticeship programs that are co-designed with industry are considered to be extremely effective, engaging employers early in the process of work-based training, providing a 'taster' of the industry and workplaces to young people, and building work-readiness skills.⁷⁴

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ NCVER, 2014.

⁷² National Electrical and Communications Association, 2021.

⁷³ Apprenticeship Employment Network, 2022.

⁷⁴ Office of the Victorian Skills Commission, 2017.

5.3.2.3 Apprenticeship subsidies

Recommendation 23

Increase Government support for all apprenticeships and traineeships and extend this support to occupations beyond those on the Australian Apprenticeships Priority List.

Recommendation 24

Reinstate the fixed monetary completion incentives of \$2500 to employers.

The Business NSW report *Skilling Australia for a Better Future: supporting apprenticeships through COVID-19* forecast 54,000 fewer commencements across Australia in 2020 and a cancellation rate of around 20 per cent. Without significant intervention, Business NSW estimated that only around 180,000 apprentices would have been in training in 2021, reducing Australia's skilled workforce pipeline to levels not seen since 1998.⁷⁵

The introduction of the Boosting Apprenticeship Commencements wage subsidy significantly stemmed the tide of cancellations and suspensions and resulted in a 28.5 per cent increase in commencements in 2021 compared to 2020.⁷⁶ This outcome proved once and for all that the apprenticeship / traineeship model is not broken, and that businesses are keen to increase their investment in training when there is positive business case.

Subsidies for apprentices have a significant impact and the existing subsidy scheme is not fit for purpose given the breadth of occupations currently experiencing a shortage. Subsidies should be extended to all apprenticeships and traineeships beyond those on the Australian Apprenticeships Priority List.

5.3.3 Lifelong learning and micro-credentials

Recommendation 25

Ensure that industry is integral to the design process of the micro-credentials pilot program.

What used to be a straight line from education and training into employment are now winding, nonlinear pathways, with career changes into emerging new industries. Growth in people's careers and credentials are an iterative process and there is a desperate need to ensure that the education and training system enables a more flexible and personalised approach akin to agile project management: you have an outcome in mind but you can take many paths to get there. External training that is shorter and that provides targeted skills development is preferred by 52 per cent of businesses.⁷⁷ However, this indicates that micro-credentials are not suitable as the basis for every occupation.

⁷⁵ Business NSW, 2020.

⁷⁶ NCVET, 2021b.

⁷⁷ RMIT Online and Deloitte Access Economics, 2020.

In some occupations, it is important that micro-credentials are viewed as a complement to, rather than a replacement for, formal qualifications as described by the Australian Qualifications Framework (AQF) for the measurement of skill level. There are important skills developed through the completion of a full apprenticeship or university degree that cannot be gained from a short course or completion of a subset of units. Micro-credentials do provide an opportunity for workers to upskill, specialise further in a chosen profession or develop new skills to transition to a new industry sector.

The recently announced \$18.5 higher education micro-credentials pilot program is an important step in providing more options to gain skills quickly, however these will only work if industry voice is represented as part of the design process. Further, there needs to be a clear definition across both VET and higher education on micro-credentials, rather than the differing lengths we are seeing.

5.4 Migration settings as a complement to the domestic workforce

Recommendation 26

Task Jobs and Skills Australia to develop a detailed workforce strategy detailing how skill development, increased participation, and migration will complement one another to deliver the skills that Australia needs.

Recommendation 27

Introduce short-term incentives to facilitate the return of temporary migrants and Working Holiday Makers – such as reducing cost of visas, reducing processing times and/or increasing country cap limits, increasing length of stay and offering more streamlined pathways to permanent residency.

Recommendation 28

Increase visa processing capacity permanently and increase capacity within the skills assessment program.

Recommendation 29

Remove the hypothecation of the Skilling Australians Fund (SAF) levy for skilled migration with VET funding, or at least clarify how and where those funds are being used.

Recommendation 30

Temporarily cease requirements for labour market testing for sponsored visas until at least 30 June 2023.

Recommendation 31

Ensure that extensions to Temporary Graduate Visas are offered to existing visa holders and all graduates from an Australian university or registered training organisation.

The migration system is complementary to other methods of addressing workforce needs. Whilst it provides a more immediate solution to workforce needs, it also adds pressure to existing infrastructure, particularly housing, which already has limited access and affordability (see Section 7).

Whilst only 30 per cent of businesses in the Business NSW Workforce Skills Survey 2022 reported engaging with the migration system, it became clear during the pandemic that migration, including working holiday makers and other visa holders with work rights, were a critical component of the Australian labour force.

With the creation of Jobs and Skills Australia, there is an opportunity to develop a detailed whole of workforce plan considering how the three workforce streams (skill development; increasing participation; and migration) will combine to deliver the skills that we need. This should also consider workforce projections previously developed by the National Skills Commission to inform policy in delivering the required workforce.

When businesses do utilise the migration system, their experience has not been positive. 34 per cent of respondents to the Business NSW 2022 Workforce Skills Survey rated their experience with the migration system as being poor or very poor and 47 per cent average. The biggest issues were with timeliness and delays although 30 per cent reported that the migration system was too

complex.⁷⁸

The lack of support for temporary migrants in 2020 and the prolonged international border closure has resulted in difficulties attracting the skilled migrants we need, particularly as competition for skilled workers increases around the world as governments globally make significant investments in infrastructure.⁷⁹ Accordingly, making Australia attractive again will be critical in ensuring we can attract the skills we need from overseas to complement the skills we have within the local community.

The current labour shortages reflect a need to reconsider the types of jobs and occupations that migration might be used to fill. Business NSW will be making separate submissions to the Migration Review to further consider this matter.

5.4.1 Visa processing and other delays

Although there has been a significant increase in skilled migrants lodging applications and entering the country – numbers still have not returned to pre-pandemic levels.⁸⁰

With reports of a backlog of 900,000 visa applications, the Australian Government must put every effort into bringing down processing times. While the \$42 million investment in the Budget to clear visa backlogs is welcome, more needs to be done.

For example, for a Temporary Skill Shortage visa (subclass 482), 90% of the visas are processed in 6 months.⁸¹ This is unacceptable and makes it impossible for businesses to plan its workforce.

In addition to the significant costs of flying to Australia, the length of time to obtain a visa is putting off many would-be skilled migrants and is a significant handbrake on business.

Further, Business NSW has received reports around significant delays in having overseas skills recognised due to limited capacity in the onshore and offshore skills assessment program.

5.4.2 SAF Levy

Business NSW does not support the direct connection between the SAF migration training levy and the funding for the National Partnership Agreement. This has created unnecessary complexity around funding arrangements.

The quantum of the SAF levy remains a major issue for business. It is excessive and surpasses what was recommended by the 457-programme integrity review.⁸²

Stream	Small Business (annual turnover less than \$10 million)	Large Business (annual turnover more than \$10 million)
Temporary Skills Shortage visa (short-term stream for 2 years)	\$2,400	\$3,600
Temporary Skills Shortage visa (medium-term stream up to 4 years)	\$4,800	\$7,200

⁷⁸ Business NSW, 2022a.

⁷⁹ White House, 2021.

⁸⁰ Department of Home Affairs, 2022a.

⁸¹ Ibid.

⁸² Azarias, J et al, 2014.

Further, the upfront payment requirement is a huge burden for small business. Accordingly, Business NSW recommends the levy be significantly reduced or removed entirely, with alternative models explored for businesses to contribute to the broader skills development of Australians.

Under the previous training benchmarks, there was an option for employers to demonstrate that they invested in training by proving that they spent equivalent of 1% of payroll (benchmark) or more on training. We support this avenue of demonstrating a commitment to training and that in these circumstances an additional levy is not payable.

An alternative could be included in the skills shortage methodology designed to identify which occupations are included on the skills shortage list. To do so, industries would be required to demonstrate genuine workforce development strategies akin to the new Australian Skills Guarantee⁸³ and building on the principles of the Labour Agreement process.

These strategies could include key elements overseen by Jobs and Skills Australia:

- x number or % increase of work placement students
- x number or % increase of School Based apprentices or trainees
- x number or % increase of apprentices / trainees
- x number or % increase of work experience students.
- Industry involvement in the development of training packages and career pathways.
- Demonstrated engagement with Workforce Australia.

Numbers could be calculated based on historical employment rates and projected workforce increases.

Provided the industry is meeting these requirements, occupations within that industry could be eligible for the longer-term skilled migration list, excused from labour market testing and eligible for additional government grants around skills development or similar to support continued efforts to, for example, liaise with schools or develop school/education pathways.

This would be a requirement for all established industries with long-standing shortages in occupations, while emerging occupations (for example, less than 1000 FTE nationally) would be exempt.

5.4.3 Labour Market Testing

For most visa nominations, a business must have advertised the position for at least four weeks within the four month period immediately prior to lodging the nomination application.⁸⁴

Business NSW continues to receive significant amounts of feedback on the appropriateness of Labour Market Testing requirements in the current labour market. These requirements are costly and time-consuming, with little benefit. Employers already face many existing barriers when using the highly regulated and expensive skilled migration program and these barriers are strong incentive for employers to employ Australian workers as a first priority.

The Australian Chamber of Commerce and Industry recently made representations to the Ministerial Advisory Council on Skilled Migration with further details around the impact of Labour Market Testing. Business NSW supports the recommendations offered in that submission.

⁸³ Department of Employment and Workplace Relations, 2022.

⁸⁴ Department of Home Affairs, 2022b.

5.4.4 International students and pathways to permanency

Business NSW welcomes the Government's announcement at the Jobs & Skills Summit that post-study work rights for international students will be increased by an additional two years. This is an important first step in enhancing Australia's international student market competitiveness and strengthening the pipeline of skilled labour.

However, the Government must ensure that the increase of post-study work rights should apply to current temporary graduate visa holders, and not be limited to future graduates. Keeping existing international graduates in Australia for longer would be an immediate boost to available labour for critical jobs in key sectors. Department of Home Affairs data shows there are currently more than 100,000 temporary graduate visa holders in Australia.⁸⁵ We should be encouraging these graduates to extend their stay, make a further contribution in our communities and in the process support businesses in accessing critical skills in what remains an extremely tight labour market. It would also avoid a two-tier system whereby the duration of post-study work rights effectively depends on visa grant date.

These current graduate visa holders are the international students that committed to staying with Australia and our universities throughout the pandemic, and we should recognise their commitment to Australia rather than excluding them from this opportunity. Further, this would also enable current temporary graduate visa holders to obtain the minimum work experience required for employer sponsorship.

For at least for the next financial year, the extended post-study work rights period should apply to all degree holders and not be limited to select degrees in areas of verified skills shortages. This reflects the reality that businesses are facing significant workforce shortages in all industries across the country. This could be revised as we move forward into the Jobs & Skills Australia model and the broader review of Australia's migration system.

Consideration should also be given to further increasing the post study work rights of international students on the Graduate Work stream of the 485 visa, rather than limiting it to the Post-Study Work stream. While the current temporary increase to 24 months is welcome, a four-year work visa would greatly benefit industries such as tourism and hospitality, where the majority of qualifications are below degree-level and which is currently experiencing significant workforce shortages.

These extensions would also enable graduates to potentially find employers for sponsorship or become eligible for alternative visa pathways.

⁸⁵ Department of Home Affairs, 2022c.

6. The role of collaborative partnerships between governments, industry, unions, civil society groups and communities, including place-based approaches.

Recommendation 32

Pilot a place-based approach to education and training in the Murray-Riverina region before extending the approach to other regions in NSW.

Collaboration between stakeholders and groups is key in addressing many of the challenges identified in this paper. No one group or level of government could possibly hope to address the myriad issues in isolation. Place based approaches to policy challenges offer the opportunity to develop solutions that cut across levels of government and different stakeholders.

Further, there is evidence demonstrating the effectiveness of place-based approaches in education for increasing student outcomes, which will subsequently benefit local businesses. Place Based Education Plans (PBEPs) have been demonstrated to be effective in Victoria.⁸⁶ A place-based approach to education puts partnerships and community engagement at the centre of improving a local education system. Place-based approaches often develop solutions requiring stakeholders to work together in partnership, which can have better outcomes.

PBEPs provide an opportunity for local education providers to come together with the community to identify local challenges and solutions to those challenges. It also enables providers to coordinate initiatives and identify and improve career and training pathways for local students.

There are opportunities to test new place-based approaches to bring the community and education providers together to identify challenges and solutions and improve pathways to learning.

Such an approach⁸⁷ would be consistent with the recommendations in our report *Down to the Wire*.⁸⁷ The Murray-Riverina would be an ideal region to trial such an approach through a collaborative consortium to deliver a truly place-based approach to education and training.

During consultation on the report, it became clear that there was little coordination amongst key stakeholders in the region to determine what educational and training offerings are available. There was a noticeable lack of industry voice into the training delivered in the region, where it is delivered and how.

This has resulted in relevant and appropriate tertiary courses not being offered within the Riverina Murray region. For example, TAFE NSW does not offer a Certificate IV in Engineering (CNC Programming) locally. Charles Sturt University (Albury campus) nor Latrobe University offer civil, mechanical nor electrical engineering. People interested in these courses must move to another region to study, which comes at a cost and increases the likelihood of them permanently moving away from the region. In that region, there remains a need to identify and articulate local engineering requirements and design suitable educational offerings to meet those needs, which may include micro-credential or short-course offerings that articulate into other training pathways. A Place-Based Education Plan would assist.

⁸⁶ Victorian Government, 2022.

⁸⁷ Business NSW, 2022b

7. Other relevant topics and approaches

7.1 Housing and transport

Recommendation 33

Work with State and Territory Governments to prioritise efforts to facilitate greater infill development and densification of regional growth centres and develop alternative funding models for affordable housing.

During the pandemic, there was a significant movement of people from capital cities to non-capital city areas. The March 2021 quarter recorded the largest net loss on record since the series started in 2001.⁸⁸

Transport, planning and housing need to be considered in an integrated manner as they are particularly important to the way the labour market functions. This outcome can be achieved by ensuring a mixture of housing solutions catering to differentiated needs of the population, infrastructure which links key population centres to jobs, and planning frameworks which recognise the role of markets in determining the geography of jobs. Business NSW supports viewing transport, planning and housing through an integrated lens so these outcomes can be realised.⁸⁹

Throughout the Business NSW consultation for this submission, the availability of housing, or lack thereof, has figured prominently in the feedback received from businesses. This is impacting businesses' ability to source workers. The most common example was a business having found a suitable applicant for a vacancy, being unable to find somewhere to live, and either rejecting the job offer or resigning within a short period of time. This has also been observed by NSW Government officials, especially in its impact on the shortage of workers to create Renewable Energy Zones in NSW.⁹⁰

This feedback is supported by data from the Real Estate Institute of New South Wales (REINSW) which indicate how low vacancy rates have been across NSW for at least the last year. The vacancy rate in the private rental market in Sydney is 1.6 per cent, in the Hunter 1.4 per cent and the Illawarra 2.4 per cent. Many regions across the state remain below 1 per cent vacancy rates.⁹¹ A vacancy rate of 3 per cent is regarded as representing a balance between supply and demand.

This has resulted in significant increases in rental demand.⁹²

Capital City	September 2022	June 2022	September 2021	QOQ	YOY
Sydney	\$650	\$620	\$570	+4.8%	+14.0%
Melbourne	\$470	\$460	\$430	+2.2%	+9.3%

⁸⁸ ABS, 2021.

⁸⁹ Such as *Order without design: how markets shape cities*, A Bertaud (2018), MIT Press.

⁹⁰ NSW Government, 2022a.

⁹¹ REINSW, 2022.

⁹² Domain, 2022.

Brisbane	\$550	\$520	\$450	+5.8%	+22.2%
Adelaide	\$490	\$480	\$440	+2.1%	+11.4%
Perth	\$500	\$499	\$450	0.2%	+11.1%
Hobart	\$540	\$540	\$495	0.0%	+9.1%
Canberra	\$680	\$690	\$630	-1.4%	+7.9%
Darwin	\$613	\$600	\$595	+2.1%	+2.9%
Combined Capital Cities	\$530	\$520	\$470	+1.9%	+12.8%

The result of this is that businesses have reported:

- 20 per cent of staff experiencing a rental crisis
- Managers and owners having to move house to rent out their own home to their staff (so they have a workforce with somewhere to live)
- staff living in vehicles due to a lack of affordable housing in the area; and
- workforces with significant travel commitments as a result of the lack of affordable housing close to their place of employment.⁹³

While the availability of housing is primarily a state government responsibility, the Australian Government should be aware of the impact that the lack of affordable housing is having on workers and businesses. Consideration of supporting infrastructure must be taken into account when making decisions about migration, training or workforce participation.

The Government should also consider alternative funding models and efforts to facilitate greater infill development and densification of regional growth centres. A common response from local government is that their revenue levels severely curtail their ability to provide solutions.

BNSW social housing members have raised the need to examine capital funding options such as “social bonds.” With appropriate government underwriting the return profile of such capital funding models could generate reduced reliance on other government funded services.

Business NSW has forthcoming research considering how to facilitate more housing in both capital and regional CBDs.

Internal migration has also put more pressure on transport which is becoming a greater challenge for people being access to work. The more remote people live, the bigger an issue transport becomes – especially as the cost of fuel increases. Without access to a car, or being able to afford a car, there are many public transport deserts with little continuity across towns.

For example, Albury-Wodonga is made up of two different state and local governments. The transport system is not integrated across them. Working across borders highlights the challenges with taking public transport.

⁹³ Business NSW, 2022a.

7.2 Supporting people to create a business and self-employment

Recommendation 34

Work with State and Territory Governments to develop more specific business development training for people interested in starting a new business.

Self-employment and entrepreneurship are notably absent from the Terms of Reference for the White Paper. Business NSW is passionate about supporting people interested in setting up their own business as there is a need for new employers to employ people rather than continuing to expect current employers to expand *ad infinitum*. Developing "employers" as well as employees is crucial to supporting the next generation of business owners and employers.

Entrepreneurship can also support improved opportunities for disadvantaged groups. For example, the Indigenous business sector is growing at around 4 per cent per year, fuelled by growing demand.⁹⁴

However, whilst First Nations people face common business challenges when setting up a business, they face them with fewer resources. NSW Treasury recently identified a range of policy areas where actions by the NSW Government and other stakeholders could help the First Nations business sector as well as the wider business community. They include:

- access to financial capital
- insurance requirements and availability
- targeted business support
- digital inclusion
- land access and use
- supporting women into business
- procurement policies.⁹⁵

While addressing market barriers is a key role of government, so is evaluating programs to support this burgeoning business sector.⁹⁶

The VET sector nor universities have not historically been adept at helping people to develop the business development skills necessary to start up a new business. There is an opportunity for the Australian Government to develop training to support people interested in setting up their own business.

⁹⁴ Evans, M. et al, 2021.

⁹⁵ NSW Treasury, 2022.

⁹⁶ RBA, 2022c.

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Contact

Timothy Burt
Senior Policy Manager, Workforce Skills
e. timothy.burt@businessnsw.com

businessnsw.com

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