



HOUSING INDUSTRY ASSOCIATION



Housing Australians



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

Review of the Australian Apprenticeships National Skills Needs List – Methodology Paper

3 February 2020



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ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 150,000 new homes each year through the construction of new housing estates, detached homes, low & medium-density housing developments, apartment buildings and completing renovations on Australia's 9 million existing homes.

HIA members comprise a diverse mix of companies, including volume builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

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

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

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

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

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

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

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



1. INTRODUCTION

1.1 The Scope of HIA's Submission

HIA welcomes the opportunity to augment our initial contribution to the on-going Review of the Australian Apprenticeships National Skills Needs List (NSNL).

Advancing and improving the methodology applied to determining skills shortages and needs is a very important component of the overall review and reform of Australia's Vocational Education and Education (VET) sector. In this latest submission HIA addresses what we consider to be the two primary components of the Methodology Discussion Paper released in December 2019:

- Feedback on the Issues Paper; and
- A Proposed Skills Shortage Methodology.

HIA noted in our initial submission that a change in methodological approach and improved labour market analysis is appropriate and is supported. This support was linked to one objective of the initial NSNL Review, that being:

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

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

HIA would like to reinforce two key points related to our initial submission.

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

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

HIA recognises the incorporation of a role for industry consultation and qualitative analysis in the Proposed Skills Shortage Methodology within the Methodology Issues Paper. It is unclear whether an appropriate balance between this integral component of a new methodology and a reliance on quantitative analysis will be achieved. This issue is elaborated on in Section 3.

2. FEEDBACK ON THE ISSUES PAPER

HIA is encouraged by the response ratings for the six design principles outlined in Table 1 of the Methodology Issues Paper. The one caveat is the relatively lower share of support for a single coherent methodology, something HIA argued for in our initial submission and that we continue to strongly support.

Of the three design principles considered to be of the highest priority HIA especially welcomes number one 'Forward looking'.

The following comments briefly address the 'Responses against each principle' section of the Methodology Paper, beginning with our support for a single coherent methodology, as noted above.



HIA extends this support to adopting one methodology which underpins both apprenticeships (and, ideally traineeships as well) and skilled migration.

HIA recognises the strong support among stakeholders for moving to a forward looking assessment of whether occupations are in skills shortage.

We are unsurprised that a majority of respondents emphasised the need for what amounts to extensive consultation with industry. We note the point made in the Methodology Issues Paper:

It (industry consultation) is seen as an important reality check on the outcomes of using a projections-based modelling approach to identify skilled shortages.

HIA is of the view, reinforced above and outlined in our first submission, that a process of industry consultation needs to be more comprehensive and inclusive than a check on quantitative outcomes that have already been derived. The prospect of any new methodological framework succeeding is compromised without industry consultation throughout any process of analysis that is undertaken of skills shortages and needs,

In relation to the 'responsive to skill shortages', the clarification regarding updating the methodology on an annual basis is appreciated.

HIA supported the concepts of transparency and flexibility in our original submission. Appropriate industry engagement can assist in the successful incorporation and balance of these two elements in a methodological framework.

In relation to 'support informed decision making' we support the idea that incentives will be most effective when there is clarity and certainty about eligibility. These appear to us to be obvious pre-requisites for appropriate and efficient allocation of incentive payments. HIA supports eligibility for incentives being linked to the commencement of an apprentice and locked in for the duration of an apprenticeship.

In terms of 'economic and social benefit', targeting apprenticeship incentives where they are likely to deliver the greatest economic and social benefit is a laudable objective, but very difficult to achieve in practice. In HIA's view this should not be a priority of the Review or any new methodological approach.

HIA supports the finding from the majority of respondents that incentives should be targeted to occupations for which an apprenticeship is a primary entry pathway. That should not occur at the exclusion of incentives for alternative career pathways.

3. A PROPOSED SKILLS SHORTAGE METHODOLOGY

3.1 A summary of HIA's position

HIA reiterates three elements to our initial submission in relation to a skills shortage methodology:

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



2. The overall framework around the methodology should include a component where quantitative and qualitative evidence provided by industry and employer groups is incorporated into labour market analysis. This will require extensive consultation with industry;
3. The methodology should also include the capacity for regional analysis as opposed to a focus solely at a national level.

It is considered that not all these points are satisfactorily addressed in the Methodology Issues Paper.

3.2 Section 3 of the Methodology Issues Paper

HIA supports the proposed approach to 'utilise one underlying skills shortage methodology that can be applied across all occupations, including those for which apprenticeships are not currently an entry pathway'.

We also support the first of the two key components of the methodology:

- A forward-looking data driven analysis of the projected net skills position in an occupation four to five years hence.

HIA supports, in principle, the overarching basis of the second key component:

- Targeted industry consultation on the findings of that analysis, informed by a Traffic Light Report on the status of each occupation.

With regard to Table 2 of the Methodology Issues Paper on page 10, HIA holds the view that Step 4 is too late in the overall process to begin undertaking consultation with industry.

Step 2 would benefit from industry engagement regarding their experiences of skills shortages and how those experiences reconcile (or don't) with the quantitative skills demand analysis which forms Step 1.

HIA concurs that consultation at Step 4 is best targeted through a Traffic Light approach, although it will be important to maintain a degree of flexibility. We support assessments being conducted on an annual basis, although it should be recognised that there may be ad hoc, exceptional circumstances where this timeframe is inappropriate – any methodological approach should be able to cater for that.

It makes sense to adopt a quantitative five-year skills forecast model based on the Department's five year employment projections. It is important to note, however, that there will be private sector organisations who have their own models and analysis of employment projects and skills shortages. HIA suggests the Department identify key stakeholders who may be in a position to provide valuable input into the modelling process at a relatively early stage. This approach would be preferable and more effective than the Department keeping all modelling in-house and confidential until results are released.

Any analysis requires a strong quantitative base and will necessarily be subject to theoretical constraints and shortcomings.



HIA welcomes the comprehensive outline and transparency provided in Table 3 regarding a forward looking occupational skills shortage analysis¹.

The 'Future employment demand' component of the model would benefit from some liaison with the private sector prior to proceeding to the second component, consistent with the point made above.

As alluded to above, it is necessary to make assumptions in any modelling exercise. The assumptions made regarding the proportion of non-VET trained workers and the proportion of VET trained workers engaged through an apprenticeship clearly won't hold in practice. This reinforces the importance of industry consultation and engagement so that some form of qualitative analysis can be incorporated, rather than the results of the model being the sole output used to determine skills lists and related policy outcomes.

HIA supports analysis being undertaken at the ANZSCO four-digit occupation classification and recognises the difficulty in reconciling four digit with six digit classifications. We welcome the point made in the Methodological Issues Paper, in relation to ANZSCO-based analysis that "Stakeholder consultation will provide further insight". This will be a crucial element to successful outcomes from the Department's skills shortage assessment.

In terms of 'Data issues and considerations', HIA concurs with the general acceptance in submission responses that forward looking skill shortage projections will be subject to a degree of forecast inaccuracy. This is the case with any projection-based analysis. HIA is part of the strong support found from submissions for anchoring the skills shortage assessment in a quantitative approach which is complemented with insights from industry consultation. For example, HIA has spent several decades undertaking its own quantitative analysis of skilled labour shortages in the residential building industry, complemented by the strong and reliable qualitative elements we bring to bear due to the extensive liaison program we have with HIA members on the ground. This information would be very valuable to the Department and its analysis.

HIA supports the proposed process for 'Targeted consultation'. The Methodology Issues Paper notes on page 14:

- The skills deficit and surplus thresholds used for the categorisation process would be set conservatively in light of the potential inaccuracies in the skills forecasting methodology.

This part of the process would benefit from some industry consultation, in addition to the traffic light approach subsequently outlined in the Paper, which HIA supports.

The recognition that 'The consultation process would also provide an opportunity for representations to be made in respect of any other occupational needs not considered under the initial analysis' is a crucial inclusion to the overall industry consultation process.

In relation to 'Informed economic and policy judgement', the Methodological Issues Paper makes reference to any:

- ... quantitative skills shortage assessment and any occupational analysis undertaken within the Department or by the National Skills Commission.

¹ Footnote (a) notes that the model assumes in-training numbers are the same in the base period and the future period. That may be a necessary assumption, but that won't be the case in reality.



Any such analysis would itself also be better informed through consultation with private sector groups who undertake their own relevant quantitative and qualitative research, prior to any conclusions based on Department or NSC research being reached.

On this note, the paper also states:

- Submissions providing robust evidence of a national skills shortage would be expected to receive greater weight than those with qualitative evidence or argument.

HIA suggests that submissions that can ably demonstrate a combination of both quantitative and qualitative evidence that is robust in nature should be given greater weight than either alternative above.

HIA supported part of what emerged as a 'strong theme in the feedback' to consider skills shortages through 'a geographic lens, not just at an aggregate or national level'. HIA is disappointed by the feedback to this 'strong theme' provided by the Methodological Issues Paper.

Consideration of quantitative and qualitative analysis of skills shortages and needs below a national level is not a question of incentives, or of state/territory/federal government authority and relative expertise. It is a recognition of the need for analysis at a regional as well as a national level which, in consultation with the states and territories should be carried out by the Department and the NSC. Analysis below a national level is more complex and consequently more time and resource-intensive. This does not provide a justification for taking such analysis off the table and abrogating responsibility because it is not a federal concern.

HIA recommends that a strategy and timeline be formed by the Department to consider how, as the methodological process develops and evolves, regional analysis can be incorporated into the national analysis of skills shortages and needs.

Finally, HIA tentatively supports the approach to 'Occupational analysis' proposed such that:

- ...occupations that have been on the NSNL for more than 5 of the last 10 years be progressively reviewed by the NSC to determine the public benefit of continuing to incentivise these occupations ...

Such an approach will not work without extensive industry consultation. Any lack of flexibility to such occupational reviews – i.e. a reliance on an internal NSC analysis alone – would more than likely draw inaccurate outcomes.



4. CONCLUSION

HIA supports a single methodological approach to analysing skills needs and shortages. We welcome this approach being adopted as outlined in the Methodological Issues Paper.

It is pleasing to see a comprehensive and transparent approach taken in the Paper in terms of outlining a methodological framework. This can only assist with the development of an improved methodology going forward.

While the numerous references to industry consultation are welcome and critical, HIA continues to have reservations as to whether the suggested process strikes the right balance to maximise the efficacy of engaging industry to assist and enhance the quantitative analysis of employment, skills shortages and the needs of industry for skilled labour. We have made these concerns clear in the body of this submission.

It is disappointing to see a lack of direction and commitment to undertaking regional as well as national analysis. HIA sees this as critical to improving the outcomes of this review.

HIA looks forward to working with the Department of Employment, Skills, Small and Family Business, the NCI and other relevant government stakeholders to progress the accuracy, transparency and flexibility of any analysis of skills shortages and needs.

