



**National Australian  
Apprenticeship Association**

## **National Skills Needs List**

### **Methodology Paper**

### **NAAA Submission**

**January 2020**



## Introduction

Following a detailed consultation process the Department is proposing a consistent methodology to develop and update the National Skill Needs List (NSNL).

Step	Description
Step 1	Undertake quantitative skills demand analysis for all ANZSCO occupations.
Step 2	Apply filters to narrow the set of skill shortage occupations identified in Step 1 to those for which apprenticeships represent a significant entry pathway or which meet other selection criteria OR are identified as a priority occupation.
Step 3	Publish a Traffic Light indicator of the stratified occupations (Step 2) which identifies three categories: <b>Green:</b> Occupations with an estimated skills shortage above an upper threshold or that are otherwise assessed as meeting the criteria for inclusion. <b>Orange:</b> Occupations with an estimated skills shortage between the Green and Red thresholds, occupations that are not subject to quantitative analysis and occupations that could cease to be on the skills shortage list in that year. <b>Red:</b> Occupations with an estimated skills shortage below a lower threshold or that are otherwise assessed as not meeting the criteria for inclusion.
Step 4	Invite industry submissions and undertake consultation on the status of occupations in the orange category and occupations which industry considers should be given further consideration for inclusion.
Step 5	Announce the final occupational composition of the skills shortage list, the occupations eligible for the AISS Payment and the underpinning qualifications eligible to attract the associated incentives.

The NSNL will be used to partially determine eligibility for the Additional Identified Skills Shortage (AISS) incentives for apprentice employers and eligibility for apprentice occupations covered by the Trade Support Loans (TSL).

## Filtered approach

Step 2 in this process allows the flexibility to respond to rapid changes in the economy or the emergence of new workforce priorities (such as the need for more bushfire fighting traineeships).

In our view, this is a wise and necessary step in the process because no matter how accurate the data used to predict future skills needs, it remains a prediction.

Looking at how previous predictive models have worked in this context, mostly they have been relatively accurate but they tend to over emphasize certain inputs and can therefore never be completely accurate. This is why the National Skills Commission is looking to augment a (past data dependent) “forecasting” approach with a (current data dependent) “now casting” approach.

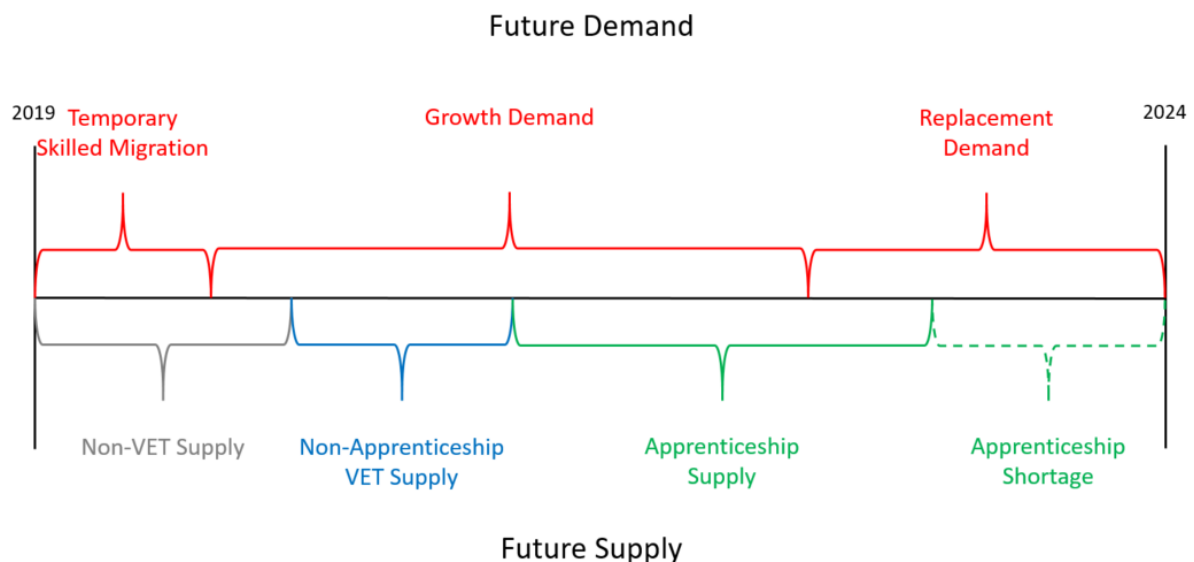


The potential problem with the flexibility afforded by Step 2 is that almost any occupation can be deemed a priority based on the political realities of the day. So, in a sense it waters down the otherwise transparent approach used to allocate program resources based on current and predicted industry led factors.

For example, an incoming future government may set a net zero emissions target for the economy by 2050 necessitating the NSNL to focus on skills to decarbonise the economy. Currently this is not a government focus and so investment in the skills to enable it are not prioritised. So, political priorities will always affect the list by emphasis or omission.

## **Future demand**

The proposed predictive model is primarily based on an assessment of future demand for apprenticeships with inputs and data that will be updated regularly by the National Skills Commission once fully established.



The Association has a concern about the construct and phasing of this approach as well as the optics of filling skill vacancies using Temporary Skilled Migration “ahead” of creating and supporting apprenticeship opportunities for the existing Australian population.

We argue that temporary skilled migration should be viewed as a supply side measure, the level for which should be determined after an assessment of the percentage of the apprenticeship shortage that can be filled locally. That is at the end of the supply equation not the start of the demand side estimate.

Simply put, local apprenticeship opportunities should come “before” filling the remaining gap of skill vacancies through temporary migration programs.



## **Significant Pathway**

The methodology is proposed to have a “filter” that assesses where an apprenticeship or traineeship is a “significant pathway” into an occupation, rather than the initially proposed definition of a “primary pathway”.

The Associations analysis of the last three years of VET commencements showed:

- 2,498 VET qualifications were studied in total
- of these 2,221 were studied off the job at the RTO and not part of an apprenticeship
- whilst 277 were studied where an apprenticeship or traineeship was the most frequently occurring mode of delivery (that is under a Contract of Training)
- The current National Skills Needs List, Priority Occupations list and additional Identified Skills Shortage list have a combination of 302 qualifications eligible for additional support
- However, of these only 148 are where the apprenticeship is the primary pathway (that is studied more frequently under a Contract of Training than at the RTO only)
- This would have meant that potentially 154 (51%) of current qualifications would have dropped off the list if a primary pathway definition was used
- This would have included occupations such as Aged Care Workers, Disability Care Workers and Child Care Workers as well as a number of Cert IV trade qualification in Electrical, Automotive and Hospitality trades
- Using a Primary Pathway definition, a new set of potentially 129 qualifications would have been included for additional support including; Retail Supervisors, Pharmacy Assistants and Meat Process Workers
- Most objective observers would argue that this would strike a suboptimal balance in additional apprenticeship support

The “significant pathway” definition needs to be clearly understood by stakeholders but has the potential to avoid these unfavourable changes. This is a welcome evolution in approach that is supported by the Association.

## **Proportionate approach?**

The NSNL will be used to determine initial eligibility for AISS and for the Trade Support Loan.

AISS doubles the apprenticeship incentives for eligible employers and directs additional payments to apprentices. These payments are welcomed by recipients but the budget allocation of around \$20m per year is relatively modest by comparison to past incentive investment.

To be fully eligible for AISS employers must meet additionality requirements which acts as a limiting factor in the wider uptake of the program.

Trade Support Loans have come from a small base to be an important feature of the apprenticeship landscape with around 56,000 apprentices receiving payments annually.

There is a question about whether all these measures will be ongoing past the forward estimates or survive a change of government.



This raises the wider question of whether the NSNL methodology is overly elaborate, resource intensive and time consuming given the level of loan and incentive investment it supports.

One way to test this is to run the methodology and see which trade occupations are excluded, which Traineeships would be unsupported and whether this is likely to change in the foreseeable future.

Currently the combined National Skills Needs List and the Priority Occupations list covers 302 occupations including virtually all trades and most of the high-volume traineeship based occupations.

The new methodology is likely to achieve a very similar result, with Step 2 in the methodology being used to address specific hot spots as they emerge.

The question is whether this is a proportional response to the problem it is trying to solve.

### **Alternative approach**

An alternative approach would be to use a similar methodology to initially determine which occupations have been permanently disrupted and are in decline. The printing trades are an example of this.

The volume of this task is far smaller because the trade occupations in permanent decline are more easily identified and only occasionally are they resurrected. Whilst Butchers and Bakers are still very much in demand, the day of the candlestick maker has passed.

Market forces can be used to determine the uptake of trade apprenticeships in sectors experiencing permanent decline.

Whilst additional apprenticeship incentives would be directed to all trades that are not in decline plus easily identified priority occupations covered by traineeships.

The net result is similar but the time investment and resources required are far smaller.

This approach could also support the introduction of a new transaction logic for apprenticeship incentives where government investment was directed to support the supervision and integrated workplace learning component of apprenticeships rather than using a skills shortage paradigm to trigger additional government assistance.