



**Australian Workforce
and Productivity Agency**

Senate Standing Committee on Legal and Constitutional Affairs

Submission to inquiry into the
framework and operation of 457 visas,
Enterprise Migration Agreements and
Regional Migration Agreements

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Overview

The Australian Workforce and Productivity Agency (AWPA) is an independent statutory body which provides advice to the Australian Government on Australia's current, emerging and future skills and workforce development needs. AWPA is actively engaged in both the medium and long-term modelling of workforce needs and the associated skills training required to meet the demands of industry. The most recent long-term projections are published in *Future Focus: 2013 National Workforce Development Strategy* released in early March. AWPA takes a scenario approach to long-term modelling in order to gain an insight into possible futures, with modelling to underpin planning for what is likely to occur, and what is more uncertain.

The National Workforce Development Strategy shows that demand for skills as represented by VET and HE qualifications will increase by 3 to 3.9 per cent each year to 2025

About the Australian Workforce and Productivity Agency

The Australian Workforce and Productivity Agency (AWPA) is an independent statutory body which provides advice to the Minister for Tertiary Education, Skills, Science and Research on Australia's current, emerging and future skills and workforce development needs.

The agency is managed by an independent Board of Directors appointed by the Minister. The Skills Australia Amendment (Australian Workforce and Productivity Agency) Bill 2012 provides for the AWPA board members to have, between them, experience in: academia; the provision of education or training; economics; industry; and the representation of employees.

The current board composition is: Mr Philip Bullock (chair); Mr Peter Anderson; Professor Gerald Burke; Dr John Edwards; Ms Ged Kearney; Dr Michael Keating AC, Ms Marie Persson, Ms Heather Ridout, and Mr Keith Spence.

AWPA is supported by a secretariat, which is responsible for the management and provision of resources to facilitate the agency's work. Secretariat staff are engaged under the Public Service Act 1999 and are made available for the purpose by the Secretary of the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education.

AWPA is working to ensure Australia has the workforce capability it requires for a productive, sustainable and inclusive future, and that Australian enterprises have the capacity to develop and use the skills of their workforce to maximum advantage for the benefit of industry and the community.

To advance this vision the agency provides independent advice to ensure that the Australian Government's investment in education training and workforce development promotes a highly skilled workforce, increases workforce participation and meets the needs of industry and individuals. AWPA's advice covers a broad range of areas that affect the demand, supply and use of skills. The agency also engages directly with industry on workforce development issues and addresses sectoral and regional industry needs. Specifically it:

- provides strategic advice and recommends priorities for the Australian Government's National Workforce Development Fund

- conducts skills and workforce research, including into the quality of jobs and future working life in Australia
- drives engagement between industry, training providers and government on workforce development, apprenticeships and VET reform
- develops and monitors sectoral skills and workforce development plans in conjunction with Industry Skills Councils and industry
- provides independent advice on sectoral and regional skills needs to support workforce planning and productivity, including in small business
- promotes workforce productivity by leading initiatives for the improvement of productivity, management, innovation and skills utilisation within Australian workplaces
- provides advice to the Minister for Immigration and Citizenship on the Skilled Occupation List (SOL) for permanent independent skilled migration.

Importance of human capital and skills

Technological change, globalisation and the opportunities of the Asian century are reshaping the world. In order to compete and succeed in this dynamic environment, Australia needs to continue developing the skills, knowledge, and innovative capacity of its workforce — its human capital.

AWPA’s vision is to realise Australia’s growth potential through a highly skilled and adaptable workforce, where skills and human capital are effectively used to meet the increasingly complex needs of industry, and individuals are able to fulfil their potential. We see the responsibility for realising this vision as shared between industry, government and individuals.

Developing the capabilities of the workforce is essential if Australia is to maximise opportunities and avoid the risks of future skills shortages. Sufficient higher level skills in the workforce will enable us to create a knowledge economy which will have us well placed to respond to future challenges.

Moreover, in advanced economies like that of Australia, higher level education and skills are relatively more important than in less advanced economies. Advanced economies are closer to the technological frontier, requiring firms and labour to engage and absorb more complex technology and to engage in innovation to further enhance welfare. There is also evidence that human capital positively influences the rate of introduction of new technologies. Increasing skills builds human capital and encourages the growth of high-productivity industries that employ highly skilled workers. Innovation-active workplaces are more productive, more profitable and more likely to train their workers. A more highly skilled workforce is therefore essential and skills are likely to be rewarded accordingly.

AWPA’s approach to workforce development

AWPA’s approach to workforce development has three main elements. These are:

- (i) A focus on specialised occupations
- (ii) Considering the long-term development needs of the national workforce; and
- (iii) Considering the workforce development needs of particular sectors.

Each is discussed further below.

Focus on specialised occupations

Australia requires a highly skilled population to maintain and improve its economic position in the face of increasing global competition. The number of jobs that require higher skills continues to increase and the number of low skilled jobs is declining. The Australian Workforce and Productivity Agency, in cooperation with industry, has developed and tested a set of criteria to determine which occupations should be the focus of planning attention in order to ensure Australia has a productive, sustainable and inclusive future.

The outcome of applying these criteria, embodied in the Specialised Occupation List (SpOL), is a list of occupations that are of high value and importance to the Australian economy and community. While in most cases the market will balance the supply and demand for skills, the consequences of market failure or a slow market response to skills imbalances in these occupations would be significant. For this reason, specialised occupations include those occupations in which the skills required for entry level positions take a long time to acquire and develop; and where government's role in workforce planning is most warranted and likely to be most effective.

A wide range of data and information is examined each year to update the SpOL, which is published annually on the Agency's website. In order to be identified as 'specialised', an occupation must satisfy two of the first three criteria below, along with the fourth criterion:

- (i) long lead time—skills are highly specialised and require extended learning and preparation time over several years
- (ii) high use—skills are deployed for the uses intended (i.e. good occupational 'fit')
- (iii) high risk—the disruption caused by the skills being in short supply is great, resulting either in bottlenecks in supply chains or imposing significant economic or community costs because an organisation cannot operate
- (iv) high information—the quality of information about the occupation is adequate to the task of assessing future demand and evaluating the first three criteria.

A copy of the SpOL and further information in relation to it can be found at:

<http://www.awpa.gov.au/our-work/labour-market-information/specialised-occupations-list/Pages/default.aspx>

National Workforce Development

One of AWPA's strategic priorities is to develop advice and strategies on workforce development at the national level. AWPA produces a National Workforce Development Strategy every three years and has recently released *Future focus: 2013 National Workforce Development Strategy* using a scenario approach to model the projected demand for skills to 2025.

Building on the scenarios and the modelling based on them, the new strategy is directed towards two goals: to take account of issues that have emerged since Skills Australia published *Australian Workforce Futures*, the first National Workforce Development Strategy, in March 2010; and to prioritise those areas where greater change is required.

The National Workforce Development Strategy is supported by the development of 'Industry Snapshots' to provide additional information and analysis on industry sectors to assist stakeholders

in planning for the future of their industry or sector. An updated suite of Industry Snapshots will be released this financial year on AWPA's website.

A copy of the National Workforce Development Strategy can be found at:

<http://www.awpa.gov.au/our-work/national-workforce-development-strategy/Pages/default.aspx>

Sectoral Workforce Development Plans

In addition to workforce development at the national level, a key part of AWPA's research agenda is the development of sectoral workforce development plans for selected industry sectors. These reports analyse current and potential future skills demand for specific skills, assess sources of skills supply, and present a set of workforce development strategies that examine approaches to addressing skills gaps, skills shortages and the utilisation of skills in the workplace, opportunities for effective collaboration between tertiary education providers and industry, and methods to maximise the investment of Australian businesses in ongoing workforce development.

The sectoral reports prepared by AWPA have a short to medium term planning window of 3 to 5 years. Currently there are three sectoral reports in progress covering the Resources, ICT, and Food sectors. Additional sectoral reports for Manufacturing, Retail Trade and several other sectors are in the planning stages.

More information on the Agencies' sectoral reports can be found at: <http://www.awpa.gov.au/our-work/sector-specific-skill-needs/Pages/default.aspx>

Future Focus: Skills needs to 2025

AWPA's scenario modelling indicates an additional 3.5 million people will be in the workforce by 2025 and that industry demand for higher qualifications will grow faster than demand for lower level qualifications over the period. The modelling also indicates that in order to meet industry demand and position ourselves as a knowledge economy in the Asian century, it will be necessary for tertiary qualifications held by the workforce to grow by between 3 and 3.9 per cent per annum over the years to 2025. Accordingly, AWPA recommends additional public and private expenditure of at least 3 per cent per annum to 2025.

In order to meet the skills needs of 2025 and enhance workforce development in Australia, the National Workforce Development Strategy recommends action across a range of areas, including:

- positioning Australia as a knowledge economy through skills development and targeted planning
- improving productivity in the workplace
- building labour force participation to meet the current and future needs of industry and individuals and promote social inclusion
- equipping Australians with the language, literacy and numeracy skills needed for full participation in community life, education and work
- enabling individuals and the tertiary system to respond flexibly and creatively to change
- strengthening quality in the tertiary sector
- investing in the tertiary system and workforce development strategies to meet Australia's skills needs.

Role of migration in meeting skill needs

The primary focus of AWPA's workforce development activities is the attraction, development and retention of skills from the existing and emerging domestic workforce. AWPA acknowledges the important, ongoing contribution of migration to priority skills needs across a range of industry sectors. In addition, in some industries employers require migrants to fill specialist, niche roles in the absence of suitable domestic candidates. This presents a challenge for industry and tertiary education providers to work together to address gaps in skills and capability development. AWPA considers that, while migrants play an important role in Australia's economy and communities, upskilling the domestic population to increase labour force participation needs to be the priority.

AWPA also recognises that in some industries and regions employers are already struggling to find enough people to fill critical job vacancies, while at the same time there are many Australians unable to find work or who would like to work more hours. In the National Workforce Development Strategy, AWPA acknowledges the importance of increasing participation in marginalised groups of workers along with reducing the average duration of unemployment. Yet even if we focus our policy attention on the domestic supply of labour and qualifications, AWPA modelling indicates that even if net overseas migration averages between 187,000 and 235,000 persons per year, the workforce demands of industry will not be fully met without an additional investment of 3 per cent per annum to 2025 in tertiary level skills. In this context, migration acts as the 'swing variable' in the supply of qualifications within the labour market, although it is less important in size than the domestic completion of qualifications.

Skilled migration is also playing an important economic role across the globe. We need to keep pace with an increasingly globalised world where competition for highly skilled workers is on the rise. However, even taking into account supply through net overseas migration, AWPA's scenario modelling indicates there are a number of occupations where the annual supply of qualifications is projected to fall short of what the labour market demands.

Conclusion

AWPA views the long-term modelling of workforce needs and the associated skills training required to meet them as an essential component in achieving an adaptable workforce where skills are used effectively to meet the increasingly complex needs of industry, and individuals are able to fulfil their potential. AWPA focuses on specialised high value occupations but also recognises the need for upskilling and skills deepening across the labour force. The scenario modelling produced by AWPA is a leading contributor to the long-term modelling of workforce needs and indicates that the tertiary qualifications held by the workforce need to grow by between 3 and 3.9 per cent per annum over the years to 2025 to meet Australia's skill needs. AWPA is of the view that although such an increase would not remove the need for skilled migration, it would reduce the extent to which skilled migration is required to meet Australia's skill needs.