

Executive summary

Global trends like technological change and globalisation are transforming the nature of work, and in particular, the demand for and supply of skills. In Australia, the end of the mining boom has been coupled with an ongoing decline in the manufacturing industry, while the construction and services sectors are growing. For many individuals and employers, these economic changes imply the need to shift towards sectors and occupations in higher demand – a potentially difficult transition.

Sound policy can assist individuals and employers in making this transition – through a combination of employment, education and training, and migration policies, among others. But reliable information about how the labour market evolves is critical. Access to information about the skills in high demand, as well as those likely to be required in the short- and medium-term, is needed to feed policies aimed at reducing imbalances between the demand and supply of skills. This report offers an analysis of Australia's existing skill assessment and anticipation (SAA) system, including a review of how information is collected and used to foster alignment of the skill supply with labour market needs, and of the use of governance arrangements to ensure coordination among key stakeholders.

The report focuses on skill imbalances, including skill shortages and skill mismatches. Skill shortages are currently on par with the global average (about 40% of employers globally report difficulties filling vacancies) and low relative to their peak in 2007. While the OECD *Skills for Jobs* database identifies some types of skills as in shortage in Australia, the intensity of these shortages is low relative to other OECD countries. The most acute shortages are found in *knowledge of education and training*, *health services* as well as *mathematics and sciences*. But while skill shortages are low to average in Australia relative to other OECD countries, there is significant skill mismatch: in particular, many workers are over-qualified for their jobs (20% of workers, compared with the OECD average of 17%). Furthermore, a high share of workers is mismatched both by qualification level and by field-of-study, and as a result they face 20% lower wages than those who are well-matched to their jobs. Underuse of skills and human capital is a contributing factor to skill imbalances in Australia, as the long-term unemployed, job seekers in some regional areas, and under-represented groups represent a potential skill supply that could be better utilised.

To tackle these challenges, Australia uses a wide range of skill assessment and anticipation exercises, including employer surveys, surveys of graduates, quantitative forecasting models, sectoral studies, qualitative methods, and labour market information systems. By international standards, this variety of exercises is found in only a few countries. The two major national-level skill assessment exercises (skill shortage research and the review of the skilled occupation lists for migration) are conducted at least once a year and assess current skill needs. This frequency makes the exercises suitable for guiding shorter-term policies like the selection of temporary skilled workers (the objective of the skilled occupation lists for migration) and active labour market policies for job seekers. However, by focusing on skilled occupations only (i.e. those that require

at least an Australian Qualifications Framework (AQF) Certificate 4 or Certificate 3 with work experience), the skill shortage research may not be suitable for informing active labour market policies, as the long-term unemployed who stand to benefit the most from training may not have the necessary pre-requisites to enter programmes at the Certificate 3 or 4 levels.

Longer-term policies (e.g. education and training policies, or the selection of permanent skilled workers) require more forward-looking exercises that are updated on a regular basis. Several states commission forecasting exercises, and the Australian government commissions external consultants to conduct national forecasting on an ad hoc basis. Australia could benefit from implementing a more regular forecasting exercise (i.e. with results published every 2-3 years, as in Canada, the United States New Zealand and Sweden) at the national level to preview potential labour market imbalances in the longer-term (10-year time span), so that policy makers can develop policies to avoid these imbalances.

Australia could improve its SAA system even further by developing more sophisticated proxies for skills, i.e. the set of competencies that are mobilised to perform tasks related to a job, like numeracy, problem-solving, or communication skills. Existing SAA exercises in Australia are largely geared towards assessing which qualifications and occupations are in demand—as opposed to which skills, per se, are in demand. A skills-based approach to SAA would help Australia respond to rapidly changing demand for skills in an environment of technological progress; for example, by facilitating a modular approach to adult learning whereby workers can build on their existing skills by acquiring new ones that are in high demand, rather than retraining for a new occupation without capitalising on their past training and experience. To facilitate the development of data about the demand for skills, Australia could invest in a database of skill-based occupational definitions (similar to O*NET in the United States), designed to be consistent with the Australia and New Zealand Standard Classification of Occupations (ANZSCO) occupational framework and linked to the competency-based qualifications framework.

The use of SAA information to mitigate skill imbalances spans multiple policy domains (education, migration, employment) in Australia. In education policy, SAA information is used to inform potential learners about the labour market, to update and develop new qualifications, to decide which courses to fund, and to steer students towards skills and qualifications that have good labour market prospects in vocational education and training (VET) and adult training. In migration policy, Australia uses results from SAA exercises to select migrants with skills, qualifications and work experience that are in high demand. In employment policy, initiatives to help workers affected by the closure of automotive manufacturing plants have been well-informed by SAA information. Beyond these existing uses of SAA information in policy making, further applications could be explored: for example, in profiling job seekers, so that job seekers with skills in low demand or skills gaps receive more intensive employment services; and to shape the content of training offered to job seekers within employment services.

As skill challenges span multiple policy domains and levels of government, finding policy solutions that work requires concerted collaboration across stakeholders. The primary mechanism for collaboration between the national and state/territory governments, about the results of SAA exercises and the national policy response, is the Council of Australian Governments Industry and Skills Council (CISC). While CISC promotes coordination between the national and state and territory governments on issues

related to skills, it does not include ministries from other policy domains (e.g. employment, migration). Australia could benefit from setting an overview assessment or “vision” of skills policy, which includes clearly-defined policy objectives spanning policy domains and levels of government, and is underpinned by political leadership.

Furthermore, involving the social partners (employers, employer associations and trade unions) in discussing the results of SAA exercises can also improve the quality of these exercises by ensuring that the results reflect employers’ true needs, and that the longer-term training needs identified by trade unions are considered. In Australia, employer associations are involved in discussing the results of SAA exercises and also in influencing the policy response through industry reference committees (IRC). While trade unions are represented on IRCs, their overall level of engagement in the discussion of SAA results could be lifted to reflect a more tri-partite arrangement.

As noted above, one of the strengths of Australia’s SAA system is the variety of exercises that are carried out. Not only does Australia assess skill needs at the national level, but it also runs exercises at the state, territorial and sectoral levels. Such variety is clearly desirable in a country as vast and diverse as Australia, and in a federation where policy responsibilities are split between national and sub-national governments. But this variety comes at a cost, as multiple actors and a diversity of interests and institutional objectives can make agreement about skill needs and the policy response more challenging—even when good governance structures are in place. Raising awareness about the scope and comparability of the different SAA exercises could help to promote consensus about skill needs. This consensus could be achieved, for example, through the use of information workshops or conferences as is done in Canada and Norway. In other countries, an independent organisation carries out SAA exercises, which also helps to facilitate consensus. Centralizing some components of SAA at the national level by having an independent and respected body carry out forecasts at both the national and state/territory levels, for example, would assist comparability of SAA exercises across states, and reduce costs through economies of scale. Generally, stronger coordination between stakeholders that involves more information exchange around the methodologies of SAA exercises would facilitate smoother consensus-building.

Overall, Australia already produces reliable information about the labour market and uses this information to shape policies to reduce skill imbalances. The recommendations below suggest ways that Australia could make further improvements in assessing, anticipating and responding to changing skill needs in order to shape policies which bring about a better alignment between skills supply and skills demand. The end result would be higher earnings and job satisfaction for workers, higher productivity for firms, and higher productivity and lower unemployment for the economy as a whole.

Key recommendations

Building tools to assess and anticipate skill needs

- Regular national forecasts (i.e. every 2-3 years) are needed to identify potential longer-term labour market needs and imbalances (10-year time span), so that policy makers can develop policy to avoid these imbalances. Such forecasts could guide education and training policy, as well as permanent migration policy, particularly the construction of the Medium and Long Term Strategic Skills List (MLTSSL).

- Pursue initiatives to build a more skills-based occupational classification, which could help to inform VET training packages and leverage the existing competency-based VET framework to support a modular approach to adult learning. ANZSCO should be updated to reflect emerging occupations, many of which have specialised skill requirements.
- Apply skills clustering techniques to identify skills with a high degree of transferability between occupations and within sectors to facilitate career transitions in the context of structural adjustment.
- Encourage sharing of knowledge and SAA methodologies between states and territories, national government, and between industry reference committees. This could facilitate consensus about skill needs, and also promote labour mobility.

Use of SAA exercises

- Existing SAA information should be better used in profiling so that job seekers with skills in low demand receive more intensive employment services. Consider where this could best be operationalised—whether at the statistical profiling stage or by employment service providers
- For accredited training in high demand in the labour market, consider reducing the disincentives that employment service providers face in offering training to job seekers, e.g. remove upfront costs rather than require that they apply for reimbursement. Consider also removing the requirement to ask the Department of Jobs and Small Business’ approval of non-accredited training for a list of in-demand skills.
- To facilitate use of SAA information by potential students, trainees and job seekers, centralise existing SAA information and data into a single online platform. Offer regular training sessions for teachers, career counsellors, and employment service providers to receive updated information about the requirements of the labour market.
- To provide a sense of how well current SAA information reaches end users, pursue evaluation efforts to assess the quality and quantity of SAA information that is provided to students, workers, and job seekers. This would provide a basis for advice on possible shifts in approaches to career guidance and SAA information dissemination.
- Publish clear details about how the occupation lists for skilled migration will be reviewed and updated, including specific measures, thresholds and weights.

Governance and stakeholder involvement

- Explore options to improve the coordination of the development and use of SAA information across levels of government and policy domains. Consider the applicability of practices employed in other countries: stakeholder workshops to promote an understanding of the scope and comparability of different SAA exercises; assigning an independent organisation to conduct SAA exercises; or building a national skill policy which sets targets that span policy domains.
- Consider giving trade unions a more formalised role in discussions of SAA findings. This could help to balance shorter-term priorities of employers, for

instance in the development of VET training packages, with longer-term priorities around preparing the workforce for changing skill demands, e.g. teaching transversal skills.



From:
Getting Skills Right: Australia

Access the complete publication at:
<https://doi.org/10.1787/9789264303539-en>

Please cite this chapter as:

OECD (2018), "Executive summary", in *Getting Skills Right: Australia*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264303539-3-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.