

Chapter 4. Governance and stakeholder involvement in SAA in Australia

Wide collaboration across stakeholders ensures that the skill assessment and anticipation system is designed to meet the needs of a variety of users. This chapter focuses on the governance of the skill assessment and anticipation system in Australia, and maps out how stakeholders are involved in discussing findings and shaping the policy response. The first section describes the general governance model. The second section identifies the main mechanisms in place to support coordination across levels of government, while the third section focuses on how different ministries coordinate with one another. The role of social partners is discussed in the fourth section. The final section describes how Australia resolves conflicts when they arise in regard to the interpretation and use of SAA information, and suggests how this process could be improved.

As skill challenges span multiple policy domains and levels of government, finding policy solutions that work requires concerted collaboration across stakeholders. Wide collaboration ensures that the SAA system is designed to meet the needs of a variety of users. For instance, local vocational education and training institutions often require information about skill needs at highly disaggregated levels, and in terms that can be translated to education qualifications. On the other hand, national policy makers who want to ensure that the right skills are available in the country to meet current and future demand will need data that is more aggregated and forward-looking.

Collaboration also helps to bring about consensus about skill needs. Without such a consensus, policy makers will struggle to design an appropriate and cohesive policy response.

But multiple actors and a diversity of interests and institutional objectives can make such collaboration challenging. In Australia, all three administrative levels (national, state/territory, and local) play a role either in the assessment and anticipation of skill needs and/or in the design and implementation of the policy response to skill imbalances. National and state-level governments are involved in collecting information about skill needs, while the design of employment, education and migration policy takes place predominantly among national ministries. For the most part, implementation of such policies takes place at the local and state levels.

This chapter focuses on the governance of the skill assessment and anticipation system in Australia, and highlights how stakeholders are involved to discuss findings and shape the policy response. The first section describes the general governance model of Australia's SAA system. The second section identifies the main mechanisms in place to support vertical coordination (i.e. across levels of government). The third section focuses on how ministries from different policy domains coordinate with one another horizontally to exchange information, reach consensus about what the skill needs are, and work jointly on policy priorities. Social partners (i.e. employer organisations and trade unions) also collaborate on skill policy, and their involvement is discussed in the fourth section. Finally, the last section describes how Australia resolves conflicts when they arise, and makes suggestions for how this process could be improved.

4.1. Main findings

- In Australia, governance of the SAA system is characterised by the “hybrid model,” which lies between the policy and independent models. The hybrid model describes a SAA system where the primary producer of SAA information has a strong policy orientation (in Australia, the Department for Jobs and Small Business), but is not the final user of this information.
- In discussing the results of SAA exercises and agreeing on a policy response, there is strong collaboration in Australia between the Department of Education and Training and state/territory governments via the COAG Industry and Skills Council. However, as in most OECD countries, there is relatively little involvement of local bodies in discussing results of SAA exercises and providing input into the national policy response.
- The results of SAA exercises are used across many ministries, including education, employment and migration. While Australia does not have a national skills policy in place to offer leadership on skill issues across policy domains, an assortment of inter-ministerial committees and taskforces promotes consultation

about the results of SAA exercise and the policy response. However, while states and territories are involved in processes relating to education, they are not generally involved in processes relating to skills and labour market policies more generally.

- The social partners in Australia are involved in discussing the results of SAA exercises and also in influencing the policy response, through the Industry Reference Committees (IRC). While trade unions are engaged through the IRCs, discussion of SAA results is led by employers. More equal involvement of trade unions in a more tri-partite arrangement could help to balance shorter-term priorities of employers in the development of VET training packages, with longer-term priorities, e.g. the teaching of transversal skills.
- IRCs include employer organisations as part of their membership (along with other key industry stakeholders) in the development and updating of VET training packages. But small and medium-sized firms (SME) may be constrained from participating due to the voluntary nature of the role and time and cost constraints which are specific to SMEs. This may compromise SME representation, noting that SMEs represent 70% of employment in Australia.
- Differences in the nature and design of SAA exercises can contribute to disagreements about skill needs across actors, as different SAA exercises sometimes yield conflicting results. More efforts may be needed to promote an understanding of the scope and comparability of the different SAA exercises, perhaps through the use of workshops or conferences as is done in Canada and Norway.
- Stronger leadership could stimulate cooperation between policy domains on skill policy, particularly in setting clear and shared policy objectives. Inter-governmental committees and taskforces have been successful in doing this in VET policy, but policy objectives that span all of education, migration and employment policy are needed.
- In some countries, social dialogue about skill needs is encouraged by having an independent organisation carry out skill assessment and anticipation exercises using a well-reputed methodology. In Australia, the Australian Workforce Productivity Agency (AWPA) used to encourage dialogue among employer groups and trade unions in this way, though the AWPA is now closed.

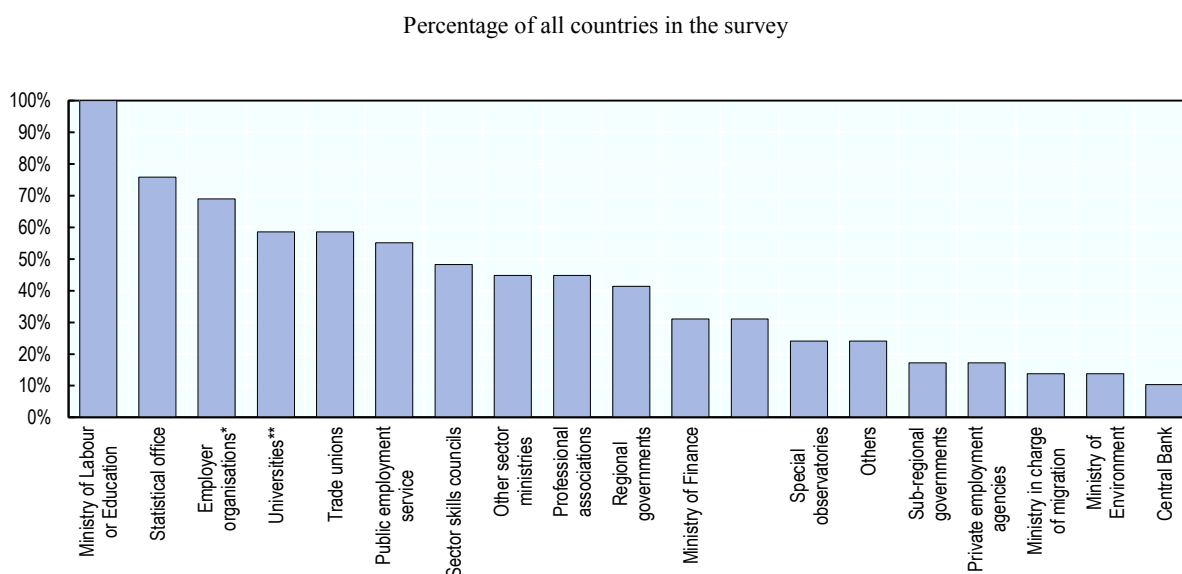
4.2. Models of governance in SAA

The involvement and collaboration of relevant actors in SAA can ensure that: i) the exercise is designed in such a way as to meet the needs of its users; ii) a consensus is reached about skills needs; and iii) the policy responses adopted across actors are coherent and complementary.

In Australia, the information generated by SAA exercises is used by many actors. Figure 4.2 outlines which national ministries and agencies make use of SAA information and how. According to an OECD survey about SAA governance structures, the actors most frequently involved in SAA activities are the Ministries of Labour and Education, statistical offices and employer organisations (OECD, 2016^[1]). This is consistent with the governance structure in Australia where the Department for Jobs and Small Business is the main producer of SAA, along with the Department for Education and Training

(DET), the National Centre for Vocational Education and Research (NCVER), and the Australian Bureau of Statistics (ABS). Employer organisations also contribute to developing SAA information, including via Industry Reference Committees. In contrast to 60% of surveyed countries where sub-national governments do not participate in SAA production, state and territory governments play an important role in developing skill assessment and anticipation exercises in Australia. On the other hand, trade unions are relatively absent from the development of SAA in Australia, compared with 60% of countries surveyed where they are more involved.

Figure 4.1. Government and stakeholder involvement in the development of skill assessment and anticipation exercises



Note: See OECD (2016), “Getting Skills Right: Assessing and Anticipating Changing Skill Needs.”

Source: OECD (2016), “Getting Skills Right: Assessing and Anticipation Changing Skill Needs”; Data from the Questionnaire on Anticipating and Responding to Changing Skill Needs (questionnaires from Ministry of Labour and Ministry of Education).

The model of governance of SAA exercises has an impact on their design and policy relevance. In particular, the degree of independence between the body/bodies who collect(s) SAA information and those that use it for policy purposes must be considered.

OECD (2016_[1]) proposed the following classification of SAA governance structures: the independent model, the policy model and the hybrid model (Box 4.1). Australia can largely be characterised by the hybrid model of SAA governance, which lies in between the independent and policy models. The primary producer of SAA information in Australia is Jobs and Small Business, a national ministry with a clear policy orientation, yet Jobs and Small Business is not the final user of this SAA information. For instance, the skill shortage research is used by many states/territories to inform their decisions about which VET qualifications to subsidise and the Department of Jobs and Small Business’ review of skilled occupation lists is used by Home Affairs to select skilled migrants. In a similar way, Industry Reference Committees, made up of representatives from employer and industry groups, provide recommendations to the Australian Industry and Skills Committee about updates to VET training plans based on their industry skill forecasts – but do not themselves make the policy decisions.

The hybrid model is common across federal countries. For instance, in Canada, the Department of Employment and Social Development Canada (ESDC) undertakes the COPS forecast exercise. Findings are primarily used not by ESDC, but to assist individuals in their education and career decisions. The hybrid model has the advantage that exercises are not so narrow as to be applicable only to a single use. In addition, exercises under the hybrid model are closely connected to the needs of policy makers, since they are often produced by ministries with a policy orientation, as with Jobs and Small Business.

While the hybrid model best characterises most SAA exercises in Australia, some producers of skill needs information are more independent from policy making, including the NCVET and the ABS. These bodies are nonetheless responsive to the needs of policy makers.

Box 4.1. Models of SAA Governance

In the **independent model**, SAA information is collected for general purposes and aimed at a wide audience. The information produced under this approach is not usually subject to political influence. One risk with this model is that the characteristics of the output may not suit policy-making purposes. For instance, the output may be too technical, or at too broad of level of disaggregation to suit certain users (e.g. sub-national stakeholders). Alternatively, the proxies used to map skills may be difficult for policy makers to use in the design of concrete policy initiatives. Examples of independent bodies that undertake SAA analyses are the statistical offices (Norway, Sweden) or universities or research institutes (ROA in the Netherlands, and Denmark's DREAM forecast model).

In the **policy model**, SAA exercises are linked to specific policy objectives and the exercise is designed by its final users. This approach has the advantage of feeding directly into evidence-based policy making. That said, the exercises developed under this model are narrower in focus, which could prevent other users from benefitting from using the information. Examples of the policy model include the public employment services in Austria, Belgium (Flanders and Wallonia), France, Poland, Sweden, and Turkey which conduct SAA to inform their policies and programmes. Other examples include exercises carried out by agencies in charge of vocational education and training (VET) or updating of occupational standards, employer organisations, or individual employers.

In between the above two models is the **hybrid model**. It covers exercises that are led by ministries yet remain independent from their ultimate use (e.g. Canada's COPS forecast model or the United States Bureau of Labour Statistics employment projections). It also covers exercises that are led by skill councils (e.g. Canada, Ireland) or IRCs in Australia, given that skill councils are independent bodies that provide recommendations to other bodies to decide on and implement policies and programmes.

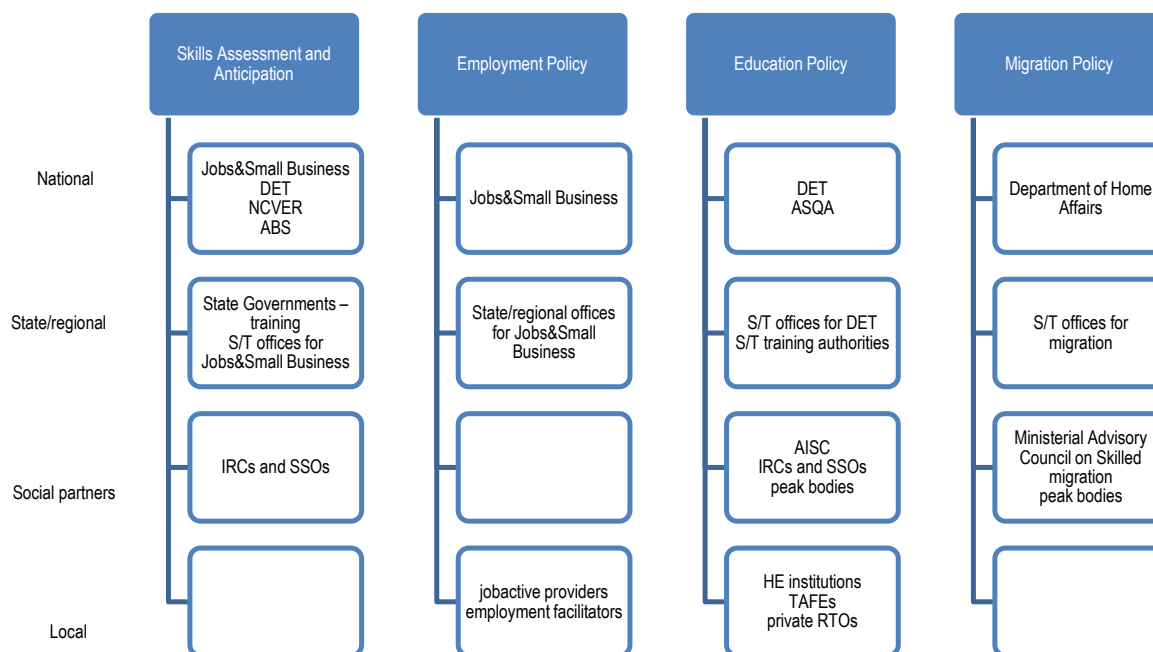
Source: OECD (2016), "Getting Skills Right: Assessing and Adapting to Changing Skill Needs."

4.3. Collaboration across administration levels in developing a policy response

Figure 4.2 sketches the institutional arrangements across levels of government which govern the planning and/or implementation of SAA exercises, as well as employment, education and migration policy in Australia.

Figure 4.2. Australian governance of SAA and skills policy

Main actors in SAA and skills policy, by policy domain and level of jurisdiction



Notes:, DET: Department of Education and Training, NCVER: National Centre for Vocational Education and Research, ABS: Australian Bureau of Statistics, ASQA: Australian Skills Qualification Authority, IRC: Industry Reference Committee, AISC: Australian Industry and skills Committee, SSO: Skills Service Organisation, TAFE: Technical and further education colleges, RTO: Registered Training Organisation, S/T: state or territory.

Involving actors from all administrative levels helps to validate the results of SAA exercises, adds nuance to the conclusions reached and promotes a flexible policy response. Most countries involve sub-national governments in the discussion of the results of SAA exercises and/or the policy response (OECD, 2016_[1]).

In Australia, the federated nature of skills policy requires strong vertical cooperation between national ministries and state and territorial governments. The Australian government has primary responsibility for public funding of higher education, but both the federal and the state and territory governments share obligations for developing and maintaining the VET system, with states and territories contributing about 35% of total operating revenue and the national government about 41% (NCVER, 2017_[2]).

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 (COAG). Similar in format to Canada's Forum of Labour Market Ministers, COAG is the peak inter-governmental forum in Australia. It meets at least twice a year on issues of national significance or those that need coordinated action by all Australian governments, including skills and education. The COAG Industry and Skills Council (CISC) began meeting in April 2014; prior to that, the COAG Standing Council on Tertiary Education, Skills and Employment held their last meeting in 2013. CISC develops the agenda for skills and training in the vocational education and training sector, with special focus on funding arrangements and issues

related to quality. CISC meetings of ministers with responsibility for vocational education and training are chaired by the Commonwealth Minister and attended by state and territory ministers with portfolio responsibilities for skills. The Government of New Zealand is also a member of the Council. CISC skills ministers are supported by the Skills Senior Officials Network (SSON) comprised of government officials from national and state and territory departments that hold portfolio responsibility for education and training. While CISC promotes coordination between the national and state and territory governments on issues related to skills, it does not involve governments from other policy domains (e.g. employment, migration).

Based on discussions about the country's skill needs, COAG sets national skills targets with the aim of engaging collaboration across national and state/territory governments. For instance, under the National Foundation Skills Strategy for Adults established by the former COAG Standing Council on Tertiary Education, Skills and Employment, all Australian states and territories have agreed to a ten-year target that by 2022 two-thirds of working-age Australians will have literacy and numeracy skills at Level 3 or above (based on the Adult Literacy and Life Skills Survey).

More recently, the National Partnership Agreement on Skills and Workforce Development, in place since 2012, set two targets to make VET more responsive to the changing needs of the economy:

- Halve the proportion of Australians aged 20-64 without qualifications at Certificate 3 level and above nationally between 2009 and 2020.
- Double the number of higher-level qualification completions (diploma and advanced diploma) nationally between 2009 and 2020.

To reach these targets, most states and territories now offer subsidies for individuals to pursue training up to Certificate 3 level, and some also offer subsidies for higher level qualifications (see Table 3.5). A report on performance (COAG, 2016^[3]) found that while Australia has made some progress on both of these indicators, it is not currently on track to meet either target. While progress appeared to be on track between 2009 and 2012, it has slowed since 2012. The report attributes the slowing activity in training partially to slackening economic activity since 2012, as the availability of relevant employment pathways upon completion of training contributes to VET uptake (Wheelahan, Buchanan and Yu, 2015^[4]).

National and state and territory governments also collaborate to discuss results from SAA exercises and the migration policy response. Home Affairs convenes the Skilled Migration Officials Group to consult with state and territory governments on skilled migration policy, including the methodology for the new skilled occupation lists for migration. There are also plans to hold workshops with state and territory governments to discuss the Regional Occupation List methodology.

But while COAG and the Skilled Migration Officials Group promote the involvement of state/territory governments in discussions with the national government about the results of SAA exercises and the policy response, local authorities are largely absent from such discussions in Australia. Local bodies, like employment services providers and training institutions, are heavily involved in the implementation of employment services and VET provision but are not involved in policy and planning. Many local councils have explicit skilling or education, training and employment strategies which commit the local government to facilitate skill formation in an industry or ensure access to skill development opportunities for the whole community (OECD, 2014^[5]). But local councils

are not generally involved in national discussions about the results of SAA exercises or the corresponding national policy response.

Lack of involvement of local authorities in the development of a national policy response to skill needs is quite common across countries (OECD, 2016^[1]). In some countries this is because local authorities lack the capacity to participate in the development of a policy response. For example, in Canada, the results of certain exercises (e.g. COPS forecast) are not available at a sufficiently disaggregated level to permit the involvement of local actors. This is also a constraint in Australia, where SAA information at highly disaggregated geographic levels is limited primarily to five-year Census data due to the significant financial costs involved, as well as by the unreliable nature of collating comparative data through surveys. Alternatively, some countries report that there is no body to coordinate the local governments' involvement.

While coordination between national and local governments on skills policy is limited in Australia, coordination across the three levels of government (national, state/territory, and local) does take place around specific large-scale and local projects, as with the new City Deal model.

City Deals bring together all levels of government to develop a shared vision for infrastructure and investment, liveability and sustainability, innovation, governance and housing, as well as jobs and skills in a specific geographic area. Three City Deals have been signed in Australia to date in Townsville (Queensland), Launceston (Tasmania) and Western Sydney (New South Wales). Driving improved skill outcomes is often a key focus of these projects. As an illustration, under the Western Sydney City Deal, the three levels of government agreed to establish training facilities that will provide a pathway to jobs in local growth sectors. This will include a TAFE Skills Exchange near the site of the new Western Sydney airport to train the local workers needed to construct the airport and other major projects in Western Sydney. With the Launceston City Deal, part of redeveloping University of Tasmania's main campus involves establishing a Jobs Pathway Director, who will be responsible for creating stronger linkages between education and industry, and adapting national and state employment and training programs to local needs.

4.4. Inter-ministerial collaboration in developing a policy response

As discussed in Chapter 3, results from SAA exercises are used by several ministries, including those related to employment, education and migration policy (see Table 4.1 for a summary). Given the inter-ministerial nature of skills policy, the development of policies benefits from joint discussions across multiple ministries about what the skill needs are and what the policy response should be.

Australia does not have a national skills policy or plan in place to bring leadership and coordinated action to skills outcomes. Nevertheless, the country has a long tradition of inter-ministerial collaboration. Horizontal coordination on skills policy in Australia is not systematic, but occurs primarily through informal meetings, as in other OECD countries like Estonia, Belgium (Flanders), Sweden and the Netherlands (OECD, 2016^[1]).

For example, Jobs and Small Business (since assuming responsibility for updates to the skilled occupation lists for migration) consults regularly with the Department of Home Affairs, as well as other relevant departments (DET, Department of Foreign Affairs and Trade, Department of Health, and Department of Industry, Innovation and Science), in order to come to consensus about which occupations should be included on the skilled

occupation lists for migration, and the appropriateness of any caveats (e.g. whether an occupation should only be on the list for positions in regional Australia).

In the context of the new forecasting exercise that DET has commissioned, an inter-departmental steering committee has been set up to build engagement and discussion across departments on the issue of future skill needs. Jobs and Small Business also convened a Future of Work taskforce in 2017, made up of champions across ministries who meet every two months. The objective of the taskforce is to build a knowledge base across government around the future of work trends (broadly characterised as globalisation, technology, automation of jobs, and an ageing population), and to identify data gaps. The Future of Work taskforce is particularly focused on reaching a consensus across government about the narrative around the future of work and an appropriate policy response.

Coherence between migration and education policies is clearly important. With labour market outcomes for tertiary graduates in Australia having softened in recent years, it is vital that skilled migrants who enter the country complement the workforce rather than displace domestic workers or compromise their labour market outcomes. Prior to March 2018, DET was responsible for convening an inter-departmental committee which provided advice to the Government on the shortage occupation list (SOL) for independent points-tested permanent skilled migration. This committee offered a formalised channel through which the education ministry could weigh-in to migration policy. Under recent reforms, DET is no longer responsible for updating skilled occupation lists for migration, and Jobs and Small Business will review the Short Term Skilled Occupation List (STSOL), the Medium and Long Term Strategic Skill List (MLTSSL) and the Regional Occupation List (ROL). But DET and DHA still collaborate in other less formal ways. Jobs and Small Business convenes a Skilled Migration Occupation List inter-departmental committee, which DET and DHA are a part of in addition to several other departments. The committee is intended to ensure the views of government stakeholders are represented at all key milestones of the skilled migration occupation list review.

Finally, Australia also has inter-ministerial committees to coordinate on skill issues related to particular industries. As an example, Austrade convenes the Tourism and Hospitality Labour and Skills Roundtable to work together on skills issues facing the tourism industry. Comprised of Australian government agencies, state and territory tourism agencies, industry representatives, the Roundtable discusses policy issues like enhancing education and training outcomes in tourism, developing regional approaches to meeting skill needs, attracting migrants, better utilizing temporary and permanent migration to build a pipeline of tourism workers, and harnessing alternative sources of labour, like youth and mature-age workers.

Table 4.1. National departments and agencies' involvement and coordination in the Australian SAA system

Stakeholder	Broad activities	SAA involvement	Recent use of SAA information	Co-operation with other stakeholders
Department of Jobs and Small Business	National policies to improve employment outcomes and skill matching. Coordination of private employment services.	Lead the skill shortage research and produce employment projections. Labour market analysis and engagement for updates to the skilled occupation lists for migration.	Inform students, career counsellors, parents, etc. about where the jobs are likely to be. Inform the review of updates to the skilled occupation lists for migration.	Consult with relevant industry groups on skill shortage research. Consult with Home Affairs and other relevant departments on the skilled occupation lists for migration.
Department of Education and Training (DET)	Responsible for national education and training policy. Has ministerial portfolio responsibility for early childhood, schools, VET and higher education.	Compiles a range of information to support career websites (My Skills, QILT), including graduate outcomes and employer satisfaction survey data.	Industry Skills Forecasts helps DET to maintain an evidence-based approach to assigning priority to the development of training products and to inform the development of training policy and future research priorities.	Industry Reference Committees develop the Industry Skills Forecasts, and other stakeholders are involved (employer organisations, trade unions, and professional associations).
Australian Industry and Skills Committee (AISC)	Represents industry's voice in setting VET training packages	Industry Reference Committees produce Industry Skills Forecasts used by AISC	AISC endorses VET training packages using input from the Industry Reference Committees, including their Industry Skills Forecasts.	Consult with employers and employees and their representatives, industry advisory groups, training providers, governments, students and general public.
Department of Home Affairs	Obtains policy approval for the composition of the skilled occupation lists and to implement legislation to give them effect.	Contributes to analysis of skill needs for the skilled occupation lists for migration by providing visa data.	Uses the skilled occupation lists to facilitate entry for persons with skills appropriate to the need of the Australian labour market and economy.	Jobs and Small Business is responsible for reviewing the skilled occupation lists for migration.
Australian Bureau of Statistics (ABS)	Lead organisation for official statistics.	Contribute to skill assessments with official statistics (Labour Force Survey, Survey of Education and Work, Characteristics of Employment, etc.)	Updating occupational standards and qualification frameworks.	
National Centre for Vocational Education Research (NCVER)	Conduct and disseminate research on VET in Australia	Longitudinal Surveys of Australian Youth and national VET statistics and survey data	Feed discussions about VET policy in the COAG Industry and Skills Committee.	
Department of Health	Oversees and runs Australia's health system.	Conducts supply and demand modelling for health professionals	Use their modelling exercises to lobby other departments, e.g. DET and DHA	Health workforce modelling is a labour market factor considered by Jobs and Small Business in reviewing the skilled occupation lists for migration

4.5. Collaboration with social partners and other stakeholders in developing a policy response

Across OECD countries, employer organisations, trade unions, VET providers and other stakeholders are often invited to discuss the findings of SAA exercises, but it is less common for them to be involved in developing a policy response (OECD, 2016^[1]). In Australia, there are opportunities for social partners and other stakeholders to both discuss results of SAA exercises with policy makers, and to make recommendations about what the policy response should be.

For instance, stakeholders are regularly consulted to discuss the findings of SAA exercises. DET set up the Quality Indicators for Learning and Training (QILT) Working Group which comprises representatives from government, the higher education sector and business groups. The Working Group provides governance and oversight of higher education surveys (students, graduates and employers) which measure the performance of the higher education sector in meeting skill needs. Similarly, Jobs and Small Business consults with key industry groups about the results of its skill shortage research.

But while employer and industry organisations are consulted to discuss the findings of SAA exercises, there seems to be few opportunities for trade unions to do so. Several stakeholders who the OECD team met with noted that the former Australia Workforce and Productivity Agency used to convene state-level experts and social partners – both employer organisations and trade unions – to discuss the findings of SAA exercises (see Box 4.4). This type of tri-partite discussion about the findings of SAA exercises seems to be absent in Australia now. In some countries, tri-partite involvement of social partners in the interpretation of SAA findings is regular and systematic. For example, in Finland, social partners participate in the National Education and Training committees, tri-partite organisations which act as expert advisory groups to the Ministry of Education and Culture. Without consensus from these tri-partite committees on the interpretation of SAA results, the findings cannot be released.

The primary channel through which social partners and other stakeholders may influence skills policy in Australia is through Industry Reference Committees' review and development of VET training packages. Under new arrangements which came into operation in January 2016, the system was reformed from one that engaged with industry, to a system which places industry in the driver's seat in the development of VET training packages. Industry Reference Committees are volunteer bodies made up of industry experts from businesses, employers, peak bodies, unions and sometimes training providers. IRCs conduct assessments of the skill needs of their industry through industry skill forecasts, and then give advice to the AISC regarding updates to VET training packages based on these assessments. In some ways, IRCs are similar to sector skill councils in other countries, like Canada, where sector skill councils are responsible for updating national occupation standards, or in the Czech Republic, where sector skill councils work towards the definition of qualification frameworks. In Estonia, sector skill councils develop occupational standards which are then used in curriculum design.

However, while IRCs provide a channel through which employer organisations and other stakeholders may shape the policy response, IRCs may not be fully representative of employers. Each IRC is intended to draw from both small and big business, as well as from unions. However, the time and cost of participating in such a voluntary committee may be overly prohibitive for small businesses, thus limiting their participation. Many of the stakeholders with whom the OECD team met expressed concerns that in practice, the

IRCs are not fully representative of industry requirements and may specifically overlook the considerations of small business, which make up 70% of employment in Australia (Department of Industry, Innovation and Science, 2011^[6]). A key challenge in giving SMEs a stronger voice in skills policy is lack of advocacy and a means through which SMEs in the same sector can communicate their skill needs to education providers. A recent initiative in South West Sydney has made progress towards developing a knowledge-sharing platform for SMEs in the manufacturing sector which will, among other things, help to aggregate the views of SMEs in the manufacturing sector about what their skill needs are (Box 4.2). Ireland's Skillnets provide another example of how building networks for SMEs in close cooperation with VET providers can help to define their skill needs and shape the policy response (Box 4.3).

On migration policy, the Ministerial Advisory Council on Skilled Migration (MACSM) is a tri-partite council that advises the government on skilled migration issues. While the MACSM provides opportunities for social partners to feed into the policy response around skilled migration, the OECD team heard from several social partners (both employer groups and trade unions) that in recent reforms to the temporary skilled migration programme, their concerns regarding implications for skills shortages were not taken into account.

Box 4.2. Aggregating SME voices in the manufacturing sector

In 2014, the South West Sydney Manufacturing and Engineering Skills Taskforce, facilitated by Regional Development Australia Sydney and Manufacturing Skills Australia, surveyed 81 manufacturing firms in the region, mostly SMEs, about the essential workforce skill needs to drive growth and innovation.

Despite declines in manufacturing employment in recent years, survey participants reported that they sometimes cannot accept new contracts because they do not have enough workers, particularly tradesmen in engineering and manufacturing with the technical and digital skills and abilities demanded by more sophisticated manufacturing environments.

The survey also revealed lack of a central body to advocate on policy issues for SMEs in the manufacturing sector as a major barrier to manufacturing growth. SMEs sensed that there was no single voice that they could present to government on behalf of the manufacturing sector. In response, a central body, called "the Lighthouse," was recommended to provide a two-way conduit between the manufacturing industry and government. The hope is that the Lighthouse may aggregate information and views about the skills needed now and in the future in order to meet the projected requirements of an innovating manufacturing environment. Whether the Lighthouse proposal moves forward will depend on securing adequate government support.

Source: "Manufacturing Lighthouse: An analysis of focus groups findings" (2016), South West Manufacturing and Engineering Taskforce.

Box 4.3. Ireland's Skillnets

Skillnets were established in Ireland in 1999 to promote and facilitate workplace training and upskilling by SMEs. Skillnets is a state-funded, enterprise-led body that co-invests with enterprises, particularly SMEs, when they cooperate in networks to identify and deliver training suited to their workforces. A network of SMEs, which are mostly sectoral or regional, Skillnets is guided by a steering group of the local enterprise representatives. The steering group gives strategic direction and guidance to a network manager who coordinates all operational activity to the delivery of an agreed training plan with learning interventions suited for the member company workforces, while working closely with vocational education and training (VET) providers.

While Skillnets has a national impact, its influence is largely confined to SMEs which accounted for 94% of its 10 000 member companies in 2011. Originally set up to cater exclusively for the employed, since 2010 Skillnets has a mandate to include the provision of training for job seekers. This happens both in an integrated manner with job seekers attending programmes with employees, and also by focusing exclusively on the needs of job seekers through the provision of dedicated longer-term programmes (e.g. the Jobseeker Support Programme) which includes work placements. Skillnets launched a pilot training initiative, ManagementWorks, providing management training to the SME community with a key focus on owner-managers.

Source: OECD (2014), Employment and Skills Strategies in Ireland, OECD Reviews on Local Job Creation, OECD Publishing.

4.6. Reaching a consensus on skill needs and the policy response

As noted in the previous sections, Australia involves a range of ministries, government agencies, state and territory governments and social partners in discussions of the results from skills assessment and anticipation exercises, as well as involving them in the development of an appropriate policy response. However, even when opportunities for collaboration exist, it may still be difficult to reach agreement on skill needs and the appropriate policy response.

4.6.1. Difficulty agreeing on skill needs

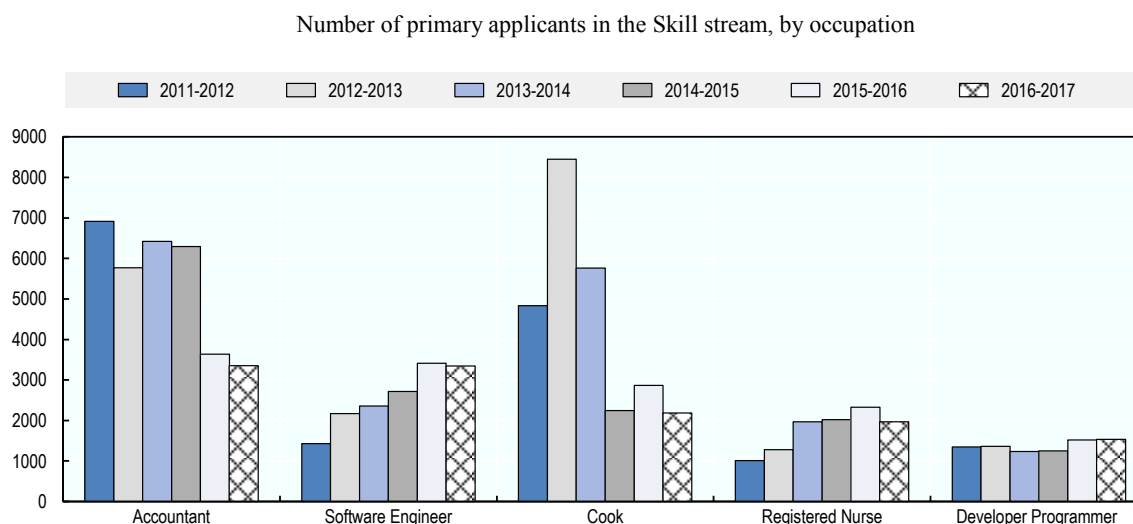
SAA exercises produce useful information which feeds into discussions about current and future skill needs and where the policy priorities should lie. But given the different interests of the various actors involved, as well as differences in methodologies used, it is not surprising that disagreements arise around which skills are needed and what the policy response should be.

Disagreements may arise for several reasons. Reconciling results from different SAA exercises is complicated by differences in their nature and design. With diverse methods, time horizons and assumptions, it can be difficult to compare results, which hinders agreement. Alternatively, an incomplete understanding of the scope and characteristics of SAA exercises can also lead to difficulty in agreeing on results. Finally, stakeholders may simply interpret the same set of SAA findings in multiple ways, leading to disagreements.

As an illustration, the 2016-17 skill shortage research and the former SOL for migration had different objectives, methodologies and time horizons, and as a result, their respective assessments of skill needs sometimes appeared to be at odds. In 2016-17, the top five occupations in the Skill stream for migration, as measured by the number of primary applicants in the stream, were accountants, software engineers, cooks, registered nurses and developer programmers (Figure 4.3). Each of these occupations appeared on the former SOL (developed by DET). As part of its skill shortage research, the (former) Department of Employment assessed accountants, registered nurses and developer programmers in 2016-17 (it did not assess software engineers or cooks in that year). None of these three assessed occupations were considered by Jobs and Small Business to be in shortage in Australia in 2016-17, despite being on the former SOL.¹

An important driver behind these seemingly opposing findings is a difference in time horizons and objectives. The former Skilled Occupation List (SOL) (and now the MLTSSL) outlines those occupations which are of high value to the economy with a long training lead time, and which will assist in meeting Australia's medium and long-term skills needs. By contrast, the Jobs and Small Business' National Skill Shortage list puts more emphasis on identifying immediate skill needs.

Figure 4.3. Top five occupations through the Skill stream, last five years



Source: “2016-2017 Migration Programme Report,” Department of Immigration and Border Protection, Australian Government.

Regarding the supply of accountants, Jobs and Small Business found little evidence that employers have difficulty attracting applicants for their accountant vacancies – on the contrary, over half of employers attracted 40 or more applicants. However, many degree-qualified applicants were considered by employers to be unsuitable for their vacancy for reasons including inadequate or non-relevant experience or poor communication skills. The Jobs and Small Business' occupational report for accountants noted that “there is some evidence to suggest that international students in particular have difficulty finding entry level positions once they finish their degrees.”

Similarly, results from the Department of Health's supply and demand modelling of health professionals and the Jobs and Small Business' skill shortage research may appear at odds, largely owing to differences in methodology and time horizon. The Jobs and

Small Business' occupational report for nurses notes that the supply of nurses has increased in recent years, with nursing graduate numbers at historically high levels. That said, it concedes that pockets of shortages of registered nurses are evident in certain regions, including the Northern Territory and Victoria. Unlike the Jobs and Small Business' analysis, the Department of Health's (DoH) supply and demand modelling has a forward-looking time horizon. The DoH modelling work showed no significant divergence between the demand and supply of nurses until 2016, after which, "in the medium to long-term Australia's demand for nurses will significantly exceed supply, with a projected shortfall of approximately 85 000 nurses by 2025, and 123 000 nurses by 2030 under current settings." (Health Workforce Australia, 2014^[7])

4.6.2. Difficulty agreeing on the appropriate policy response

Even when a consensus has been reached about skill needs, it can be difficult to achieve agreement on what the policy response should be. For example, the recent reforms to abolish the temporary work skilled (457) visa and reduce the list of eligible skilled occupations for migration were made with the intention to better align skill supply and skill demand, while preserving the labour market outcomes of skilled Australians. However, based on OECD consultations, the reform was met with opposition among social partners who worried it would reduce needed flexibility in the labour market. In a similar way, trade unions often argue that more emphasis should be placed on transversal skills in VET training packages, to promote a workforce that is more resilient to changing economic conditions. On the other hand, employer groups who lead the development and review of VET training packages may see a more pressing need for job-specific skills that can help to address skill shortages.

Most often, such disagreements are a result of the differing or even opposing interests across different stakeholders. They can also reflect the characteristics of social dialogue in a country more generally. They may also come about as a result of a lack of political will to search for consensus, or as a result of the distribution of responsibilities in skills policy.

This is the case in Australia, as in France, Canada, Switzerland and Canada, where the distribution of responsibilities across many actors can make it difficult to come to a consensus when it comes to skills policy. Many actors are involved in the development of skill policy, making it difficult for one actor to take a leading role unless this has been specifically agreed among all parties. It can be particularly difficult in Australia to align the national and local policy responses, as economic conditions vary so much across regions and highly-disaggregated data is not available.

4.6.3. Mechanisms to facilitate consensus

Countries employ a variety of mechanisms to facilitate consensus-building and to overcome conflict in agreeing on skill needs and the appropriate policy response. These include involving stakeholders in workshops and conferences about SAA exercises; having an independent organisation conduct SAA exercises and coordinate the use of their results in policy; and securing strong political leadership which sets a national vision for skills policy, including measurable targets.

More efforts may be needed to facilitate comparisons between exercises since inconsistency between SAA exercises (e.g. use of different data, methods, time frames and assumptions) can yield conflicting results and impede the building of consensus. Other OECD countries have introduced workshops to encourage such comparisons, and

to clarify the scope of exercises among actors. For example, in response to employers having expressed perplexities about official forecasts, the Canadian Department of Employment and Social Development (ESDC) engaged with stakeholders directly and in ad-hoc workshops to provide a better understanding of the forecasts and what they can and cannot do. In Norway, narrowly-themed conferences promote consensus reaching about skill needs, as was the case of a conference on skills needs in the engineering sector and another one on skills brought by immigrant workers.

Box 4.4. Australian Workforce and Productivity Agency

The **Australian Workforce and Productivity Agency (AWPA)** was an independent statutory body that provided advice to the Australian government on the country's current, emerging and future skills and workforce development needs. It was established in 2012 as a successor to Skills Australia, taking on a broader research agenda and greater role in advising the Australian government on workforce development issues. With an annual budget of AUD 9 million, AWPA carried out a variety of SAA activities: macroeconomic modelling, scenario planning, research into specific sectors, industry engagement and horizontal coordination across federal government agencies. AWPA was dismantled in July 2014 following a change of government. Responsibility for the skills and VET portfolio was transferred first to the Department of Industry and Innovation, and since December 2014, to the Department of Education and Training (DET).

While its recommendations were not enforceable, AWPA played a leadership role in setting a future direction for skills policy in Australia, carrying out considerable work in the anticipation of skill needs. AWPA produced a flagship publication on Australia's national workforce development strategy¹ and numerous reports on workforce development issues at a sectoral level. It also conducted foresight exercises and engaged widely with stakeholders from industry, the education and training sector, state training boards, trade unions, enterprises and not-for-profit organisations.

Source: Townsend, T. (2015), "The What Works Lab Process" Report for the Skills and Employment Branch, Employment and Social Development Canada, page 13; Former Australian Workforce and Productivity Agency publication www.education.gov.au.

¹ See for example, Australian Workforce and Productivity Agency (2013), "Future Focus: 2013 National Workforce Development Strategy".

As discussed above, trade unions in Australia are engaged through IRCs and the MACSM, but the discussion of SAA results is led by employers. AWPA used to convene state-level experts and social partners – both employer organisations and trade unions – to discuss the findings of SAA exercises but this type of tri-partite discussion about skill needs seems to be largely absent in Australia now.

Having an independent and well-reputed organisation, like the former AWPA, conduct skill assessment and anticipation exercises using a respected methodology is often an asset to facilitating social dialogue about skill needs, as is the case in Belgium (Flanders) and Norway, and in the United Kingdom (Migration Advisory committee). Canada's Future Skills Centre is being designed as an independent research body that will actively involve a wide range of stakeholders in dialogue about skill needs (Box 4.5). In designing

such institutions, consideration must be given to delinking funding of the organisation to political cycles in order to support investments in longer-term analysis and modelling. When the UK Commission for Education and Skills (UKCES) was dismantled during a change in government, for example, responsibility for some of the SAA exercises they undertook were carried over to the Department of Education (e.g. the Employer Skills Survey and the Employer Perspectives Survey) but some SAA exercises were dropped, including the long-term forecasting model “Working Futures.”

Australia could also benefit from stronger leadership in setting policy objectives around skill needs across policy domains. An effective institutional coordination process requires strong political commitment on the part of relevant stakeholders, with clearly-defined policy objectives, priorities and criteria for assessing progress. Australia’s CISC already does a lot to coordinate between the national and the states/territory governments in setting policy objectives for VET. However, these objectives are generally limited to VET policy. Australia could benefit from setting a big picture “vision” of skill policy, which includes clearly-defined policy objectives spanning policy domains and levels of government. The UK has had a string of such national skill policies, including the recent *Post-16 Skills Plan* (2016), which set targets for skills across countries in the UK and across policy domains. A key challenge with setting such national-level targets is that Australia’s federated structure means that responsibilities for education, employment and migration policy are divided between state/territory and national governments. Overcoming this challenge to build a coordinated and big picture vision in regards to skill policy could be tackled through the COAG infrastructure, perhaps by extending participation in CISC to employment and migration ministries.

Another challenge with such national skills policies is that there is a temptation to change them at the start of each new political term, which compromises the country’s ability to measure progress against long-term objectives. Grounding national skill policies on rigorous evaluations and SAA information generated by independent and well-reputed organisations may help to mitigate this tendency towards short-termism in policy planning.

Box 4.5. Canada's Future Skills and Labour Market Information Council

The **Labour Market Information Council (LMIC)** was officially launched in 2017 with the broad mission to empower individuals and policy makers with reliable and timely information about the labour market. The LMIC is a pan-Canadian not-for-profit led by a Board of Directors composed of senior government officials from federal, provincial and territorial governments and Statistics Canada. Priorities are conceived through engagement with the Board, Canadians, partners and stakeholders, notably via its two expert advisory panels. Funding for the LMIC is provided by government for the 2018-20 period. Three goals were set for the inaugural three-year strategic plan: (i) to gather and improve the availability of relevant labour market information, especially as pertaining to local, granular insights; (ii) to undertake high-quality analyses of labour market information, with a view to better understanding the jobs of today and tomorrow; and (iii) to ensure dissemination of labour market information in a manner that addresses the diversity of user needs.

Future Skills was announced in Budget 2017 and reaffirmed in Budget 2018 to support skills development and measurement in Canada and to build a highly-skilled and resilient workforce. It will identify the skills sought by employers now and into the future, explore new and innovative approaches to skills development through co-financing of pilot programmes, and share insights to inform future investments and programming. Working in collaboration with provinces and territories, the private sector, educational institutions, labour and not-for-profit organisations, Future Skills will include

- Future Skills Council to advise on emerging skills and workforce trends, and;
- Future Skills Centre, at arms-length to the government, focusing on developing, testing and rigorously measuring new approaches to skills assessment and development.

LMIC and Future Skills will work closely together to build on each other's respective efforts, mitigate duplication and collaborate in areas of mutual interest.

Source: Labour Market Information Council website (<https://lmic-cimt.ca/strategic-plan.html>); Federal Budget 2018, "Equality and Growth, A Strong Middle Class"; Advisory Council on Economic Growth (February 2017), "Building a Highly Skilled and Resilient Canadian Workforce through the FutureSkillsLab".

4.7. Recommendations

- Explore options to improve the coordination of the development and use of SAA information across levels of government and across 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; and/or building a national skill policy which sets targets that span policy domains.
- Consider giving trade unions a more formalised role in discussion about SAA findings. More equal involvement of trade unions in a more tri-partite arrangement could help to balance shorter-term priorities of employers in the development of VET training packages, with longer-term priorities, e.g. the teaching of transversal skills.

Note

¹ While developer programmers were not found to be in shortage, the skills shortage research found a “recruitment difficulty” for senior and/or specialised programmers.

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