

2022 skills survey

Listening to Australian businesses on
skills and workforce needs

NOVEMBER 2022

About the Workforce Development and Skills Survey

The Workforce Development and Skills Survey is conducted by Ai Group's Centre for Education and Training every two years. Surveys have been conducted in 2012, 2014, 2016, 2018 and 2021 (delayed due to the pandemic in 2020), allowing for analysis of changes and trends over time.

The intelligence and insights gathered from this highly valuable survey underpin the Centre's research, policy and advocacy agenda.

The 2022 survey was conducted over June-August 2022 via an online survey platform. It is open to any Australian company to respond.

The 2022 survey received 342 individual responses, employing a total of 213,890 FTE employees.



About Australian Industry Group

The Australian Industry Group (Ai Group®) is a peak employer organisation representing traditional, innovative and emerging industry sectors. We are a truly national organisation which has been supporting businesses across Australia for more than 140 years.

Ai Group is genuinely representative of Australian industry. Together with partner organisations we represent the interests of more than 60,000 businesses employing more than 1 million staff. Our members are small and large businesses in sectors including manufacturing, construction, engineering, transport & logistics, labour hire, mining services, the defence industry, civil airlines and ICT.

Our vision is for a thriving industry and a prosperous community. We offer our membership strong advocacy and an effective voice at all levels of government underpinned by our respected position of policy leadership and political non-partisanship.

With more than 250 staff and networks of relationships that extend beyond borders (domestic and international) we have the resources and the expertise to meet the changing needs of our membership. We provide the practical information, advice and assistance you need to run your business. Our deep experience of industrial relations and workplace law positions Ai Group as Australia's leading industrial advocate.

We listen and we support our members in facing their challenges by remaining at the cutting edge of policy debate and legislative change. We provide solution-driven advice to address business opportunities and risks.

Foreword

It would not be news to anyone reading this report that skills are at the top of the agenda for both businesses and governments in 2022.

Everywhere you look there is evidence of the widespread skill shortages being experienced right across the Australian economy right now.

In shopping centres and commercial areas across the country there are signs ‘help wanted – must have experience’. These are a practical reminder of the widespread labour and skills shortages currently constraining a wide range of everyday Australian businesses.

The message is the same when you talk to CEOs and leaders of large companies. They talk about having a new business model to implement and scale, a new technology to adopt or just an increase in customer demand, but say they’re constrained, because they’re struggling to secure the right people with the right skills to get the job done.

Our survey asked businesses about their skills and workforce needs and challenges - and they told us - there are plenty.

We want, and need, Australia to continue to be a productive and prosperous nation. However, we know that this will only happen if our workforce has the skills and smarts to self-assuredly navigate uncertainty, break through inertia and step up to solve new and emerging problems.

Skilled migration alone will not fix this, and nor should it.

We need to develop our own workforce, not just to simply sustain what Australia has built to date, but to confidently tackle new challenges and new frontiers. Our current workers, including those in the last third of their careers, are valuable commodities worthy of our investment. The upcoming next generation is gold.

When it comes to the answers, all roads lead to education and training – skilling, re-skilling and upskilling – at scale. It’s complex, but it can be done.

The results here should be a call to arms for us all.

We thank every business that took the time to participate in this survey.

Innes Willox
Chair - Ai Group Centre for Education
Chief Executive - Australian Industry Group

A message from AustralianSuper

AustralianSuper is pleased to support the Ai Group, Centre for Education and Training's 2022 skills survey report: Listening to Australian businesses on skills and workforce needs.

Meeting the skills shortfall facing the nation is a key challenge in the efforts to boost productivity and grow the economy. Ai Group has a well-earned reputation as a national leader in presenting industry data and insights to inform considered policy solutions.

As Australia's leading superannuation fund, AustralianSuper invests both globally, and in Australia, in the interests of its almost 2.9 million members.

We partner with over 412,000 employers and have invested over \$130 billion in Australia, almost half of the members' assets, so we understand the critical role a skilled workforce plays in the success of the Australian economy.

This is the sixth iteration of Ai Group's Skills and Workforce Survey and over that time it has become known as a trusted source of intelligence and analysis on skills and workforce issues.

As we seek to address the challenges ahead, the data presented in this survey is critical to assist in building the solutions to support economic growth in the next decade and beyond. It communicates the nature and scale of the problem, highlights areas of greatest need, and tells us about the strategies businesses are employing in response.

I know the findings of this survey will be useful for both policymakers and business leaders as they navigate the complex and evolving skills and workforce challenges ahead.

Rose Kerlin
Group Executive Membership & Brand
AustralianSuper

Executive summary

Key findings

Skill shortages

- ▶ **69% of businesses said their skill needs had increased in relation to Technicians and Trades Workers**, 45% in relation to Professionals, 43% for Managers, 38% for Machinery Operators and Drivers and 37% for Labourers.
- ▶ **71% of businesses reported difficulty meeting their requirements for Technicians and Trades Workers**, showing a deep and entrenched shortage of workers in these occupations.
- ▶ **68% of businesses believed 'growth in demand' was the key driver of their skills challenges**, 35% attributed it to 'supply chain challenges/disruption' – both factors are likely related to the uncertain and dynamic market.
- ▶ **Recruiting Technicians and Trades Workers is a particular pinch point.** Businesses having difficulty filling skilled roles were having the most trouble with Technicians and Trades roles.
- ▶ The proportion of businesses **intending to employ skilled migrants grew from 7% in 2021 to 44% in 2022** - evidence of a widespread intention to make strong use of skilled migration channels as we emerge from COVID-19 induced restrictions.

Digital skills

- ▶ **Improving basic digital skills is businesses' highest priority for digital training**, with 29% ranking it number one and 62% ranking it in among their top three.
- ▶ **Technicians and Trades Workers are a focus** for digital skills training and upskilling, with 30% of businesses intending to prioritise these workers, followed by Managers (26%).

Clean economy

- ▶ **Around a quarter (24%) of businesses reported either emerging or increased skill needs as a result of the transition to a clean economy.** 17% of respondents reported increased skill needs, and this rose to 22% for large businesses.

Generic skills

- ▶ The need for **generic capabilities increased most in relation to Managers (56%)**, closely followed by Technicians and Trades Workers (54%) and Professionals (44%).
- ▶ **Foundation skills remain a key issue for businesses.** Close to three out of four (74%) said they are affected in some way by low levels of literacy and numeracy. 17% said they were highly affected.

Investment in training and development

- ▶ There was strong support for training and development, with **82% of businesses intending to either maintain or increase the amount they spend on staff training and development** in the next 12 months.
- ▶ **51% plan to increase expenditure on training and development in the coming year**, and 31% intend to maintain current levels. 59% said they would train existing employees in new roles/tasks with or without government support.
- ▶ **74% of businesses expressed interest in employing university or TAFE students as higher-level apprentices or cadets**, indicating a strong appetite for new apprenticeship-style training contracts beyond the traditional trades.
- ▶ **Short courses are the most preferred form of training**, with 38% intending to use them over other types of education and training.

- ▶ **45% of businesses employing apprentices/trainees plan to increase the number they employ** over the coming year. 17% plan to maintain current numbers.
- ▶ **Businesses were keen on recruiting graduates and entry level workers**, with 32% saying they would recruit VET graduates, 31% keen to take on school leavers and 26% university graduates.



Policy priorities

- ▶ **Improve digital skills across the board.** This means formalising digital literacy as part of post-school education and training, upskilling older workers, and a focus on digital inclusion for those in danger of being left behind.
- ▶ **Create a culture of lifelong learning**, by building an education and training system that can rapidly and flexibly upskill existing workers. Increase delivery and integration of short, stackable training options, including microcredentials.
- ▶ **Ensure apprentice/trainee incentives support consistent training pipelines over time**, by incentivising employers and those in training, and encouraging completions.
- ▶ Implement the recommendations of the **Noonan Review of the Australian Qualifications Framework (AQF)** to unlock the rigid constraints the current Framework places around skills and knowledge.
- ▶ **Focus on developing leadership and management capabilities.** Employers need improved access to relevant microcredentials to regularly develop managers in new roles, tasks and capabilities. Australia’s tertiary education system must be supported by governments to design, develop and deliver the management development programs industry needs.
- ▶ Work towards a **more coherent and connected tertiary education system** by removing the current barriers for students wanting to move between the VET and higher education sectors.
- ▶ **Ensure tertiary education funding** is equitable across sectors, sufficient to deliver access and equity principles and supports both public and private providers.



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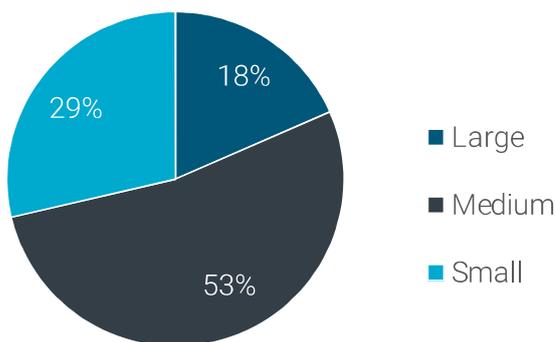
2022 survey at a glance

The 2022 Skills and Workforce Development Survey received 342 individual responses from representatives of a wide range of Australian companies. Together, these companies employ a total of 213,890 FTE employees.

Responses covered a wide range of industry sectors and a range of small, medium and large enterprises.

We heard from businesses large and small

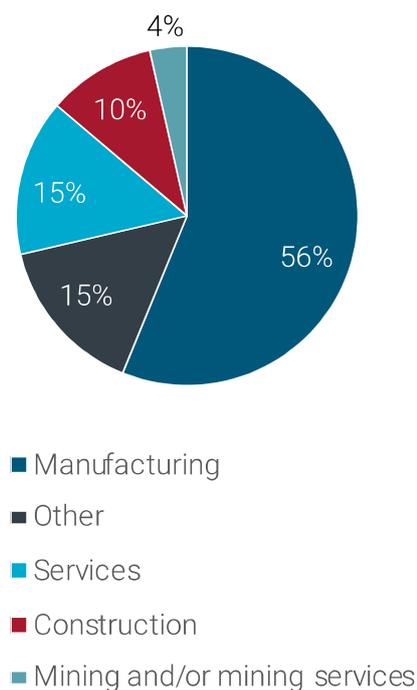
Over half (53%) of the responses were from medium sized businesses (20-199 employees), around a third (29%) were small businesses (0-19 employees) and 18% were large businesses (199+ employees).



We heard from a range of industry sectors

The company responses were divided into four main industry groups - manufacturing, mining, construction and services – as well as others.

In 2022 the manufacturing sector provided the greatest number of responses (56%), followed by the services sector (15%), which included businesses in retail, IT, wholesale trade, transport, media, hospitality and healthcare. A further 15% were businesses from a range of other sectors including defence, agriculture, engineering and aviation.

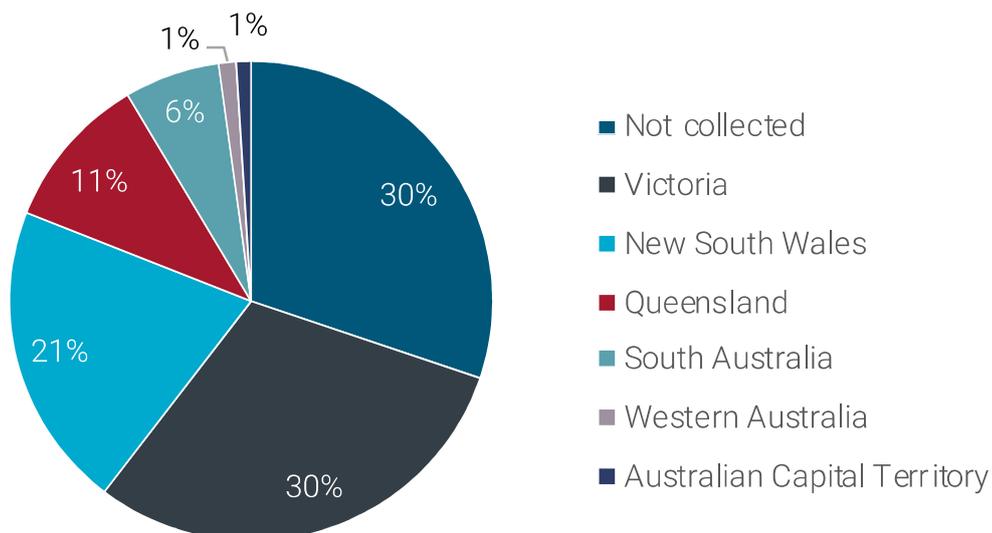


Responses came from a wide range of industries

▶ Construction	▶ Sport and entertainment	▶ Education
▶ Manufacturing	▶ Defence	▶ Printing
▶ Mining and/or mining services	▶ Disability and aged care	▶ Charity and philanthropy
▶ Services	▶ Waste management	▶ Property
▶ Oil and gas	▶ Agriculture	▶ Metal refining
▶ Telecommunications	▶ Transport	▶ Capital equipment retailers
▶ Materials handling	▶ Aviation	
▶ Coatings engineering	▶ Animal health	

We heard from businesses right across the country

We heard from companies all around Australia, with around half the responses (51%) from New South Wales and Victoria.



Demand for skills is broad and deep

Labour and skills shortages are just part of doing business for many Australian companies right now, so we delved deeper, to see where skill needs are most acute.

We asked businesses if their requirements for skills had increased, and if they were having difficulties meeting these needs.

The results show a widespread increase in businesses' requirements for skilled labour across all occupational groups – in

particular, Technicians and Trades Workers, Professionals and Managers.

71% of respondents reported a difficulty in meeting their requirements for Technicians and Trades skills, showing a deep and entrenched shortage of workers in these occupations.

Alongside this was a strong reported increase in demand for the skills of Professionals (45% of respondents), Managers (43%), Machinery Operators and Drivers (38%) and Labourers (37%).

Occupational skill shortages



What does this mean?

These responses are pointing to broad unmet demand for a range of different skills across the economy, as well as an underlying shortage of labour.

It is also clear that Technicians and Trades Workers are a particular pain point. This should be ringing policy alarm bells, as these workers are absolutely critical to a wide range of enterprises and industries. These skills take years to develop, as the figure below shows, meaning today's shortages will not be quickly or easily resolved.

Example apprenticeship pipeline



Skill shortages that are both wide and deep are a profound challenge, requiring a multi-pronged strategy, with a range of policy responses for the short, medium and long term. Skilled migration is a key piece of the puzzle, but it's not the panacea.

If the last two years have taught us anything, it's that the global environment can change rapidly. We need to ensure our own house is in order, and is as robust as it can be, if we are to weather similar shocks or constraints in the future.



What's driving increased skill needs?

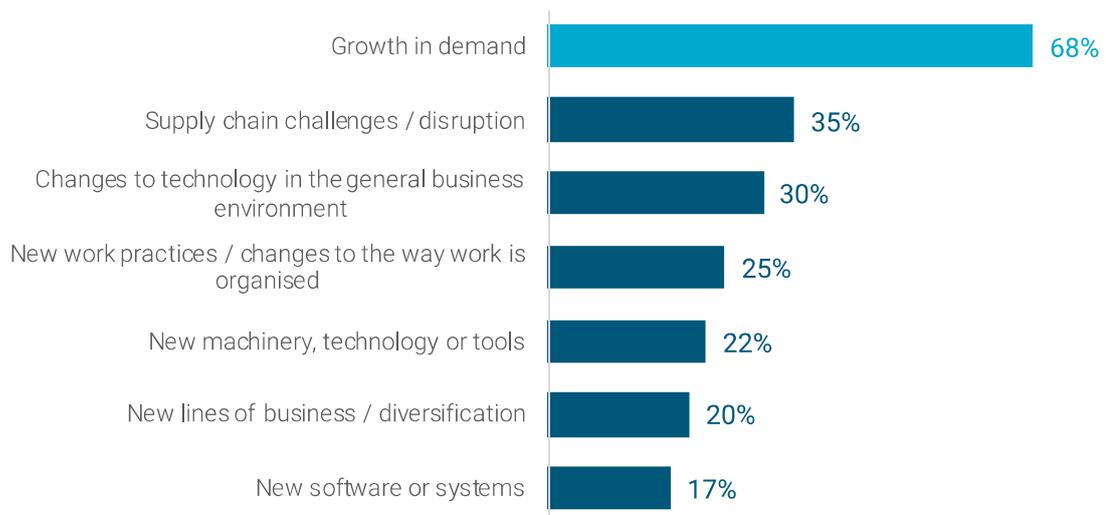
When asked to comment on the potential drivers of this increasing need for skills, the most common response from businesses was 'growth in demand' (68%). This was followed by 'supply chain challenges/disruption' (35%).

These answers speak of skill needs generated by new business or new business models or pivots in dynamic markets, amid general uncertainty and global challenges.

The next most common responses were 'changes to technology in the general business environment' (30%), 'new work practices/changes to the way work is organised' (25%) and 'new machinery, technology or tools' (22%).

All of these factors point to the impact of technology on work, and the need for new skills to navigate and survive in a digitally transforming economy.

Growth in demand is a key driver



What are the most difficult roles to fill?

We asked those businesses struggling to fill skilled roles where they were having the most difficulty. They were able to list up to four occupations or job titles.

The long and varied list we received showed employers were having difficulty filling an incredibly wide range of roles right across the value chain. However there was also a strong trend. Recruitment difficulties were the most acute in relation to Technicians and Trades Workers.

Businesses were having the most difficulties recruiting for Technicians and Trades roles.

This was followed by roles in the Professionals occupational category, then Machinery Operators and Drivers, then Labourers.

The message is clear. Respondents - across a range of business sizes, locations and industry sectors - are experiencing difficulty securing the technical and trade skills so critical to the economy.

This is concerning, as these skills are developed through apprenticeship and trade training pathways that take years to deliver experienced skilled workers. The economy requires a consistent and robust pipeline to stay on track with demand.

The most difficult roles to fill



Technicians and Trades Workers



Professionals



Machinery Operators and Drivers



Labourers

Some of the most commonly reported **Technician and Trade Worker** roles reported were CNC Machinists, Welders, Mechanical Fitters, Die Setters and Boilermakers. For **Professional** roles, many businesses reported difficulty recruiting Mechanical Engineers, Electrical Engineers, Accountants, Marketers and various Human Resources roles.

Machinery Operator and Driver roles were diverse, and specific to various machines – including grinding machines, bagging machines, print and polishing machines. **Labourer** roles ranged from stockpickers, general hands, parcel sorters and process workers.

Digital skills and capabilities

We hear a lot about the increase in demand for digital skills, but what does that really mean?

When asked about digital skills, businesses were seeking a range of general and specialised capabilities, such as data management and cyber security. However, the message was remarkably consistent – improving basic digital skills was the highest priority.

We asked businesses which digital skills and capabilities most needed to increase in their workforce. They were asked to choose from 13 options and to rank their choices in order of importance.

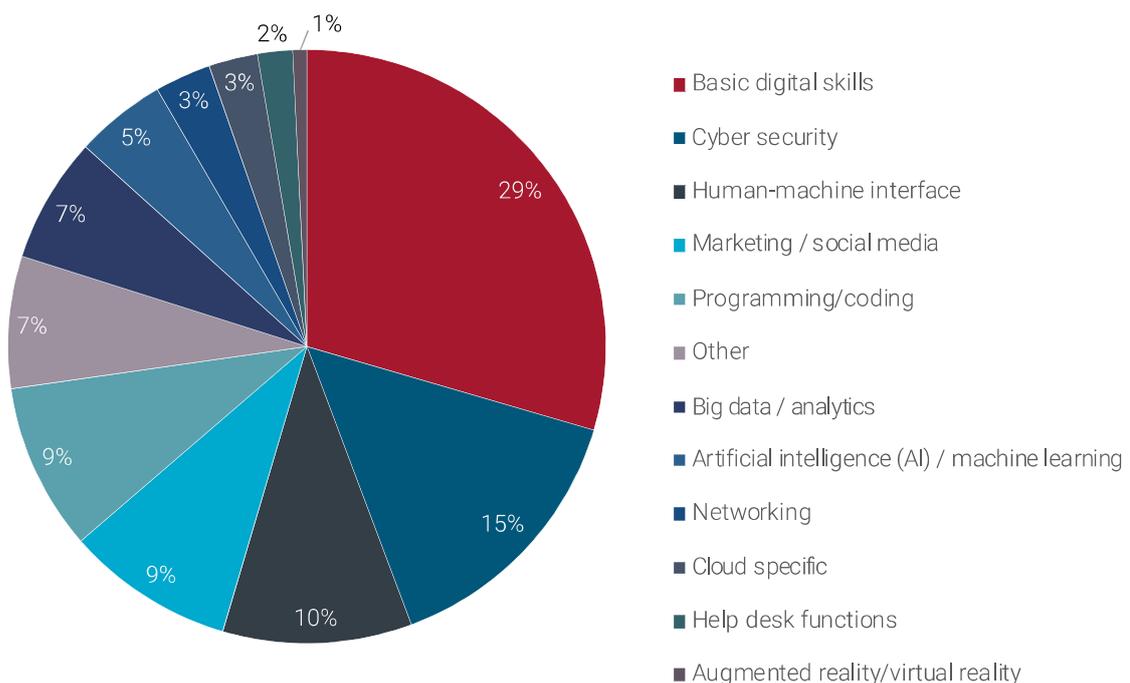
Improving basic digital skills is businesses' highest priority

Looking first at the digital skills at the top of businesses' lists (ranked number 1) the most common answer by far was 'basic digital skills'.

Almost a third (29%) ranked basic digital skills number one. This was followed by cyber security skills (15%) and human-machine interface skills (10%).

Over half of all respondents (62%) listed basic digital skills among the top three digital skills and capabilities they needed to increase in their workforce.

Digital skills needs - number one ranked



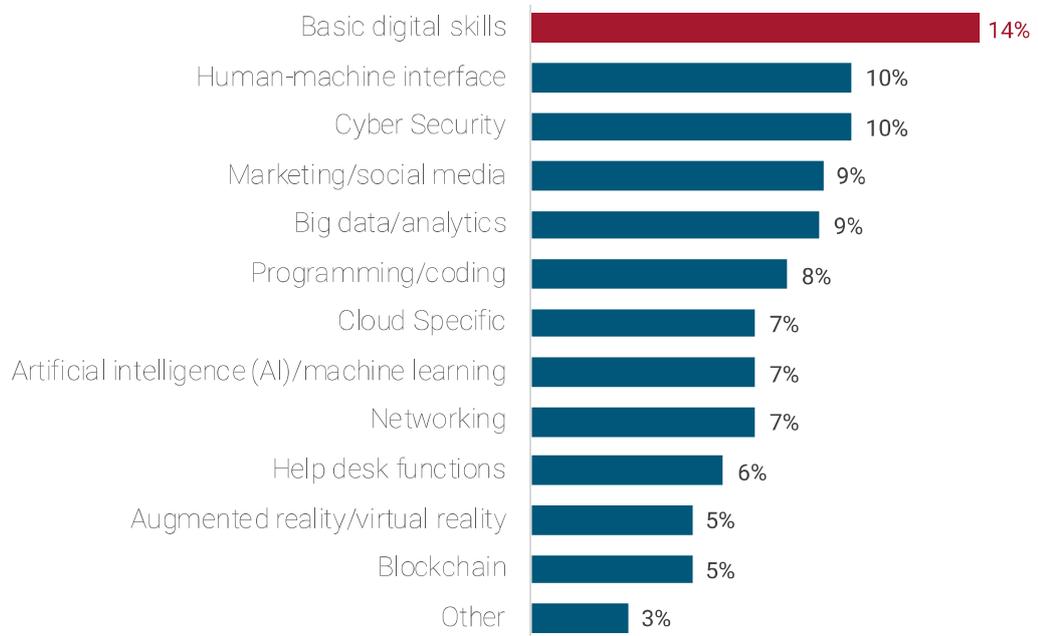
A long list of digital skills in demand

When we look at total responses to this question, we see a very diverse picture. Businesses told us of demand for a wide range of digital skills and capabilities – ranging from marketing and social media skills to artificial intelligence.

This wide spectrum of digital skills in demand likely reflects the long continuum of digital maturity across the Australian economy.

Businesses need different skills for the different phases of their digital transformation journey, and the shape and pace of that journey looks different for every enterprise.

Digital skills needs – all responses unranked

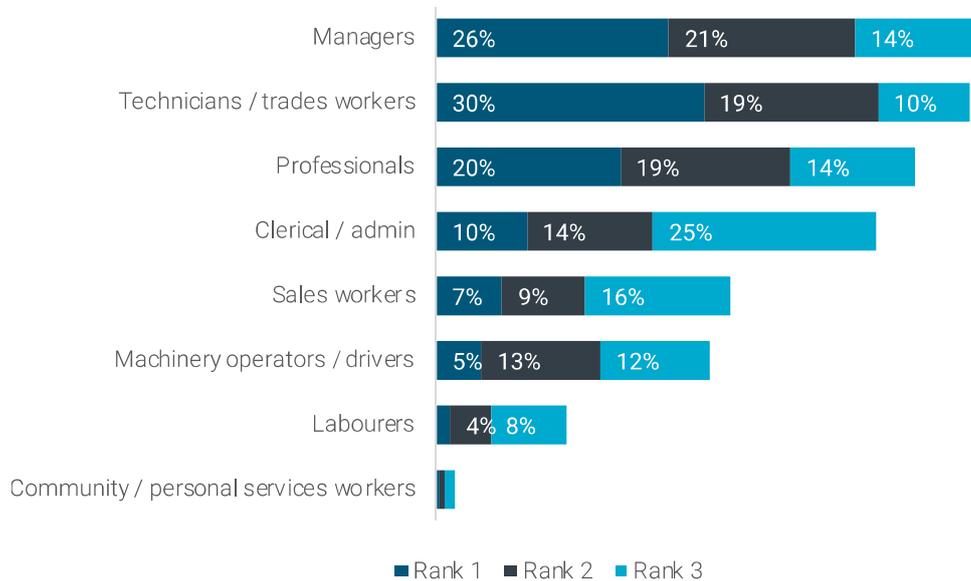


Highest priorities for digital upskilling are Technicians and Trades Workers and Managers

For those businesses intending to provide digital skills training, we asked which areas of the workforce would be the priority.

Responses showed businesses' number one priority for digital skills training was Technician and Trades Workers (30%) and Managers (26%). This was followed by Professionals (20%) and Clerical/administration staff (10%).

Priorities for digital training and upskilling



These responses confirm that digital transformation is affecting the entire workforce, driving a need to upskill across a wide range of occupations and skill levels.

Businesses also appear to consider the digital capability of those in technical and trades roles to be a critical enabler to their success, and a priority for investment.

This also busts the myth that ‘digital skills’ are just for knowledge-intensive occupations or ‘desk-based’ workers.

What does this mean?

The message to policymakers is crystal clear. Businesses are telling us that poor digital literacy is holding them back.

Our focus should be on improving the productivity of existing workers by raising digital capability across the economy. This means formalising digital literacy as part of post-school education and training, upskilling older workers, and a focus on digital inclusion for those in danger of being left behind.

The Australian Industry and Skills Committee’s *Digital Transformation Skills Strategy*¹ sees the VET system as central to assisting individual workplaces and governments mitigate the risk posed to the existing workforce, so that no worker is left behind. It calls for world-leading digital literacy targets along with a performance monitoring and reporting framework. It recognises this should be coupled with guidance on the use of the Australian Core Skills Framework, Core Skills for Work Framework, Digital Literacy Skills Framework and a future-revised Australian Qualifications Framework in the design of training programs.

Leading and managing in a digitalising workplace

We then asked businesses to reflect on their leaders and managers, asking how well equipped they were to take the business forward in an increasingly digitalised

1. Australian Industry and Skills Committee (2021) *The Learning Country: Digital Transformation Skills Strategy*

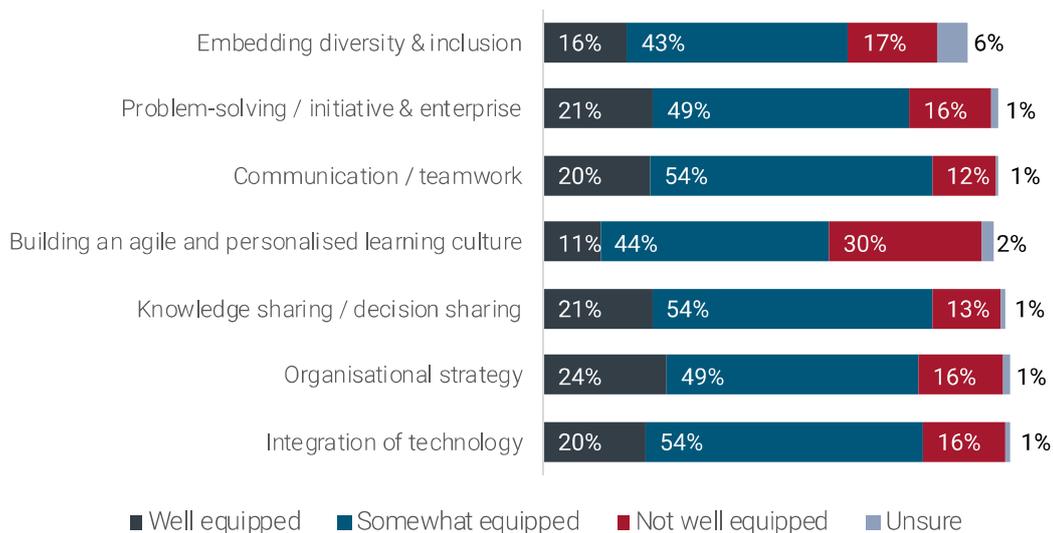
workplace. Nearly a quarter of respondents reported that their managers were well equipped in ‘organisational strategy’ (24%).

Around one fifth considered their managers to be well equipped in ‘problem solving, initiative and enterprise’ (21%), ‘knowledge sharing and decision making’ (21%), ‘integration of

technology’ (20%) and ‘communications and teamwork’ (20%).

Fewer respondents believed their managers were well equipped to ‘embed diversity and inclusion’ (16%) or to ‘build an agile and personalised learning culture’ (only 11%).

How well equipped are managers and leaders to deal with a increasingly digitalised workplace?



A much greater percentage of employers indicated that their managers were ‘somewhat equipped’ to take the business forward in a range of activities.

54% of employers reported that their managers were somewhat equipped to integrate technology, to share knowledge/decisions and to communicate through teamwork.

The proportion of respondents indicating that their leaders and managers were not well equipped to take the business forward was under 17% for all areas except one. Almost a third (30%) of businesses considered that their leaders and managers were not well equipped in ‘building an agile and personalised learning culture’.

Businesses’ level of confidence in their leaders and managers’ ability to deal with change has declined since 2020.

Responses to Ai Group’s 2020 survey showed a much greater percentage of employers reporting that their managers were well equipped in a range of areas to deal with the challenges of COVID-19.

At that time half the employers responding thought their managers were well equipped in communications and teamwork, 42% in organisational strategy and 41% in knowledge sharing and decision making.

Skills for a clean economy

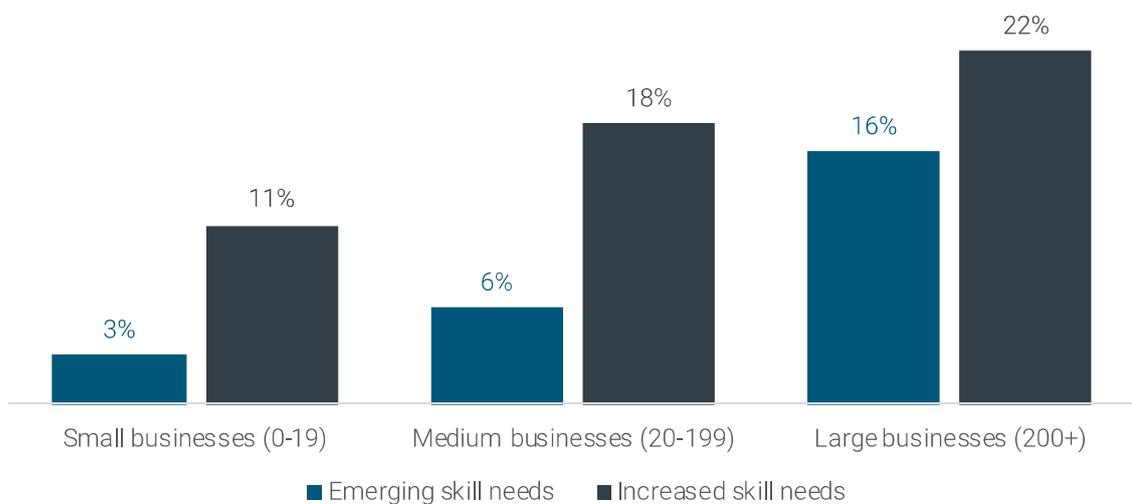
The transition to a clean economy is clearly having an impact on businesses' skill requirements, but this is not being felt uniformly across industry sectors or business sizes.

We asked respondents to comment on the effect the transition to a clean economy was having on their skills needs.

Around a quarter (24%) of businesses surveyed reported either emerging or increased skills needs as a result of this transition, with 17% reporting increased needs.

The impact was being felt more by large and medium enterprises, with 22% of large businesses and 18% of medium businesses reporting the transition to a clean economy had driven an increased demand for skills. This is double what was reported by small businesses.

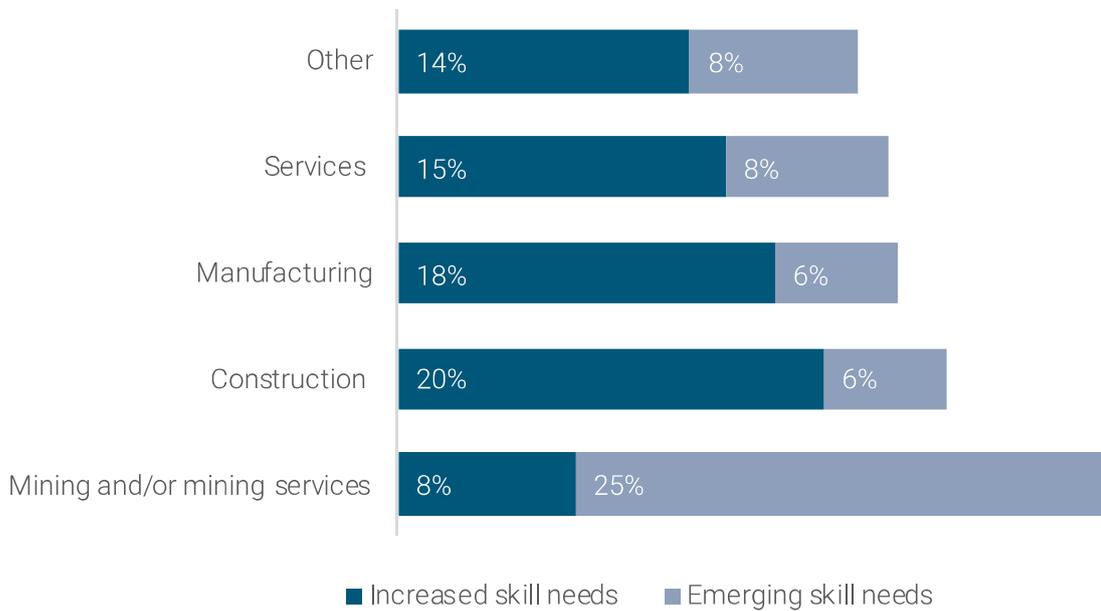
How the transition to a clean economy has affected skill needs over the past 12 months



The transition to a clean economy has begun to affect skill needs across the economy. However, the construction and manufacturing sectors reported the greatest increase in skill needs over the past 12 months.

An increase in skill needs was reported by 20% of businesses surveyed in the construction sector, and 18% in the manufacturing sector. At the same time, a quarter (25%) of respondents from the mining and mining services sector reported 'emerging skill needs'.

Clean economy skill needs by industry sector

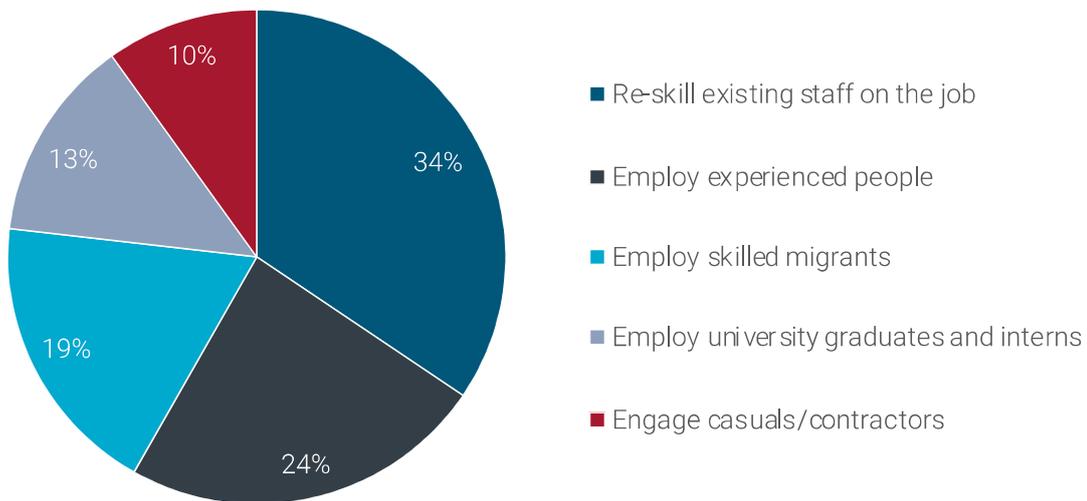


When respondents were asked about their plans to address these emerging and increased skills needs, the most popular strategy was reskill existing staff (34%), while others planned to recruit experienced people (19%) or employ skilled migrants (24%).

10% were looking to the tertiary education system for university graduates and interns to help fill shortages or bring new learning into the workplace.



Responses to increasing/emerging skills needs



What does this mean?

This phenomenon will clearly play a major role in our skills and workforce planning in the near and medium term, and we need to be ahead of the curve.

Energy literacy is likely to become as vital as digital literacy, becoming a core component of financial and resources management across all industry sectors.

Clean occupations currently in need include Construction/Engineering/Production Managers, Engineering professionals, Carpenters and Joiners, Plumbers and Plant Operators. However, increasingly, transformations that are whole-of-company are likely to require other skill sets.

Skill needs are likely to be multi-layered. Industry needs deep, technical skills but also transferable skills (e.g. change management, digital literacy, data analytics). The whole

community will need clean economy literacy to enable a culture for transition.

This is another area where Australia will need the leadership and management capability to navigate change and transition. The education and training system needs the policy direction and resourcing to actively develop this.

It is pleasing that the framework of recommendations provided in the 2021 Opportunity Assessment undertaken by the Reliable Affordable Clean Energy for 2030 CRC is being addressed by Government, including the establishment of the Australian Energy Employment Report. The new Jobs and Skills Australia will also likely play a key role in providing the national leadership needed to proactively address the skills impact of economy-wide transitions such as this.

Generic capabilities and foundation skills

We hear a lot about the importance of generic capabilities – things like problem-solving, communication, creativity, adaptability and initiative - in creating skilled workers and workforces. But what do employers think?

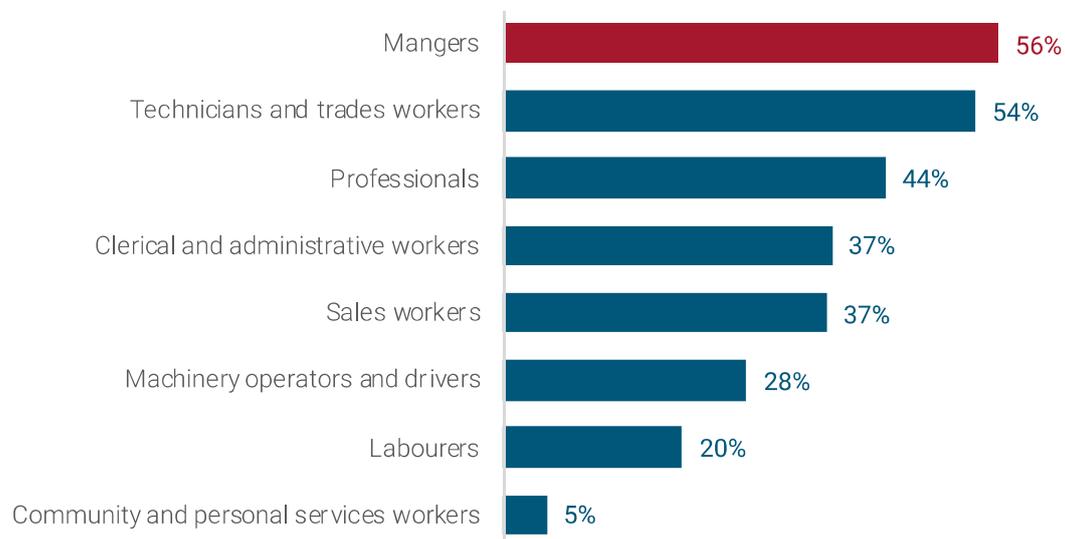
We asked Australian businesses if the need for these generic or core capabilities had changed in their organisation in the last 12 months, and, if so, in which parts of the workforce?

While employers indicated an increased need for these skills in all occupational categories, the level of increase varied.

Most employers said that their need for general capabilities had increased in relation to Managers (56%), closely followed by Technicians and Trades Workers (54%) and Professionals (44%).

The need for general capabilities had also increased among Clerical and Administrative workers (37%) and Sales workers (37%).

Where has the need for generic capabilities increased most?



After a spike in demand for generic skills in 2020, demand has decreased in 2022.

In 2020 74% of respondents said these skill needs had increased for Managers, 72% for professionals, 67% for Sales Workers and 60% for Technicians and Trades Workers. Interestingly, the 2020 results were gathered early in the pandemic when businesses were reacting to significant disruption and lockdowns and pivoting to changed work practices.

What does this mean?

These responses show the importance employers place on capabilities like communication and problem-solving right across the economy – from Sales Workers to Technicians and Trades. There is no doubt that employers understand the importance of these skills and value them in their workforce.

This reflects the effect of digital transformation, accelerated by the pandemic, where machines are doing more and people are more often performing tasks that involve problem solving, navigating and communicating. Our surveys show managers' roles have been the most affected by a need for increased generic skills, as they communicate and facilitate organisational change, identify context and process highly variable inputs.

This sends a clear message to the education and training system – to create well-rounded, valuable workers we need to cultivate these capabilities alongside more technical skills and knowledge. This needs to start at school, and these capabilities need to be better recognised and valued in admission to tertiary education.

More work-based and work integrated learning (internships, placements, apprenticeships and cadetships) should be incorporated into VET

and higher education qualifications to enable the development of the generic capabilities so valued by employers. Uptake by industry in taking on students must be supported by incentives that recognise the supervisory, regulatory and cost burdens involved in hosting interns.

For existing workers facing an increasing need to develop their generic skills, the tertiary education system must provide improved access to shorter forms of education and training to allow for re-skilling and up-skilling. A fund for existing worker upskilling would support individuals and industry to meet these needs.

Foundation skills

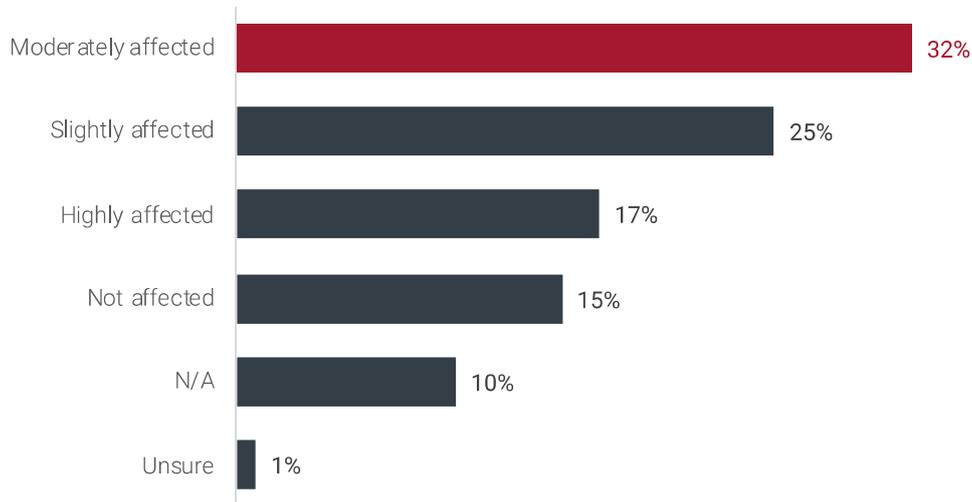
Australian businesses also clearly understand the importance of foundation skills (language, literacy, numeracy, and employability skills), with low levels of literacy and numeracy a perennial issue for employers.

Close to 3 out of 4 businesses (74%) said they are affected in some way by low levels of literacy and numeracy.

17% said they are highly affected, 32% were moderately affected and 25% slightly affected. Small and medium sized businesses reported higher levels of impact.



How affected are businesses by low levels of foundation skills?



When we look at the impact of low levels of literacy and numeracy over time it's clear that poor completion of workplace documents and reports remains the largest concern for over half of employers (52%).

Other major disadvantages of low levels of literacy and numeracy in the workplace have been identified as reduced teamwork outcomes and problems communicating (44%), and time wasting (42% and up 7% on 2018 levels).

One impact that has seen a decline in recent years is the potential for workplace injuries or unsafe work practices. Just over a fifth (22%) of employers are now affected by Work Health and Safety (WHS) issues compared to over a quarter (26%) at the time of the last survey. Improvements in communicating safety awareness and practices may have helped workers of lower language, literacy and numeracy ability stay safer at work.

The impact of low levels of literacy and numeracy	2022	2018	% change
Poor completion of workplace documents / reports	52%	55%	↓ -3%
Teamwork problems/ communication problems	44%	50%	↓ -6%
Time wasting	42%	35%	↑ 7%
Material wastage /material errors / non-compliance	37%	31%	↑ 6%
Recruitment difficulties	37%	33%	↑ 4%
Staff lack confidence / unwilling to take on new work	33%	40%	↓ -7%
Potential for workplace injuries or unsafe work practices	22%	26%	↓ -4%
Financial miscalculations	10%	-	-

What does this mean?

In an economy of almost full employment (as we have now) deficits in foundation skills are likely to come to the fore.

We need to acknowledge foundation skills' role as the building blocks underpinning all other skills and knowledge, and this needs to start in schooling. Individuals need access to

digital training, both in the workplace and to gain access to employment and services.

An updated National Foundation Skills Strategy for Adults should recognise the impact that digital transformation is having on the workforce, especially on lower skilled workers performing tasks in jobs, occupations and industries impacted by digital disruption. Workplaces need support under a refreshed national language, literacy, numeracy and digital (LLND) skills strategy.



Business actions and strategies to meet skill needs

As well as asking about problems, we were also keen to ask businesses about their proposed solutions.

We asked what actions businesses planned to take or strategies they planned to pursue to address their skills and workforce challenges.

Actions

First, we asked what actions employers planned to take to meet skill needs over the next 12 months. They were given a range of options and asked to report all that applied.

The most common answers were ‘re-skill existing staff on the job’ (68%) and ‘employ experienced people’ (68%).

Actions businesses intend to take to meet their skill needs	2022	2021	% change
Re-skill existing staff on the job	68%	69%	↓ -1%
Employ experienced people	68%	57%	↑ 11%
Employ skilled migrants	44%	7%	↑ 37%
Redesign jobs/create flexible conditions	29%	35%	↓ -6%
Employ university graduates & interns	34%	27%	↑ 7%
Engage casuals/contractors	36%	22%	↑ 14%
Employ people with similar skills then re-skill to fit roles	39%	20%	↑ 19%
Employ apprentices and trainees	51%	54%	↓ -3%
No action planned	1%	11%	↓ -10%

The strong intention to re-skill existing staff signals employers’ willingness to invest in their current workforce. However, it may also be evidence that finding skilled new employees is becoming more difficult.

When we compare the 2022 results with those from 2020, we see that the number of employers intending to ‘employ experienced people’ was up 11% in 2022 compared to the previous year.

At the same time, the proportion of businesses intending to ‘employ people with similar skills and re-skill them to fit the role’ was up 19% over the same period, moving from 20% to 39%.

Both these trends likely reflect employers’ doubts that they will find the skills they need in the labour market, signalling a worsening skill shortage from 2020 to 2022.

Another big mover was the proportion of businesses intending to employ skilled migrants, which grew from 7% in 2020 to 44% in 2022. This is evidence of a widespread intention to make strong use of skilled migration channels as we emerge from COVID-19 induced restrictions.

The number of businesses intending to sit on their hands was also down significantly from 2020 to 2022. Last year 11% of respondents reported they had ‘no action planned’. This dropped to only 1% of respondents in 2022 – a clear signal that businesses are no longer able to ‘set and forget’ on workforce and skills.

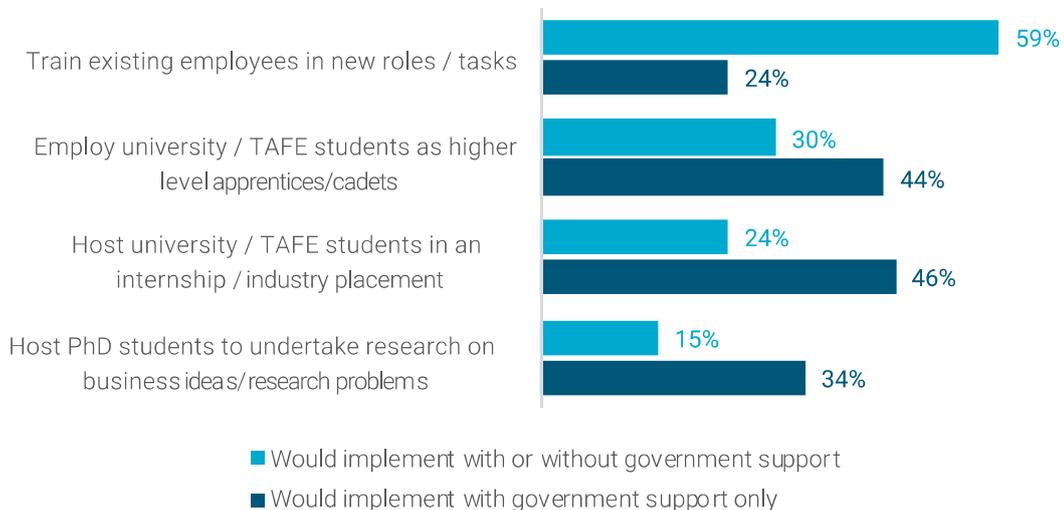
Skill strategies and the impact of government support

We then asked businesses if government support would be a factor in deciding to pursue a range of skill strategies.

The survey asked employers if they were considering implementing any of the four strategies listed, and whether government support would influence that decision.

A robust 59% responded that they would train existing employees in new roles/tasks with or without government support. A further 24% indicated they would train existing employees only if government support was available.

Does government support affect businesses’ decisions on training?



Almost three quarters (74%) of respondents expressed interest in employing university or TAFE students as higher level apprentices or cadets, indicating a strong appetite for new apprenticeship-style training contracts beyond the traditional trades. However, 44% indicated that they would only do so with government support.

A total of 70% of employers said they would host students in internships or industry placements, again signalling a strong intention to facilitate work-integrated or work-based learning. However, 46% of respondents said they would only do this with government support.

At the PhD level, around half (49%) said they would host students to undertake research on business ideas or research problems, but only 15% said they would take this action without government support.

These responses show a strong level of ‘in principle’ support for companies facilitating on-the-job training. However, a large proportion of these respondents would only consider employing higher level apprentices or cadets, or hosting university, TAFE or PhD students if government support was available. This sends

a message to policymakers that employer incentives could make the difference in getting businesses over the line on these strategies.

Investment in training and development

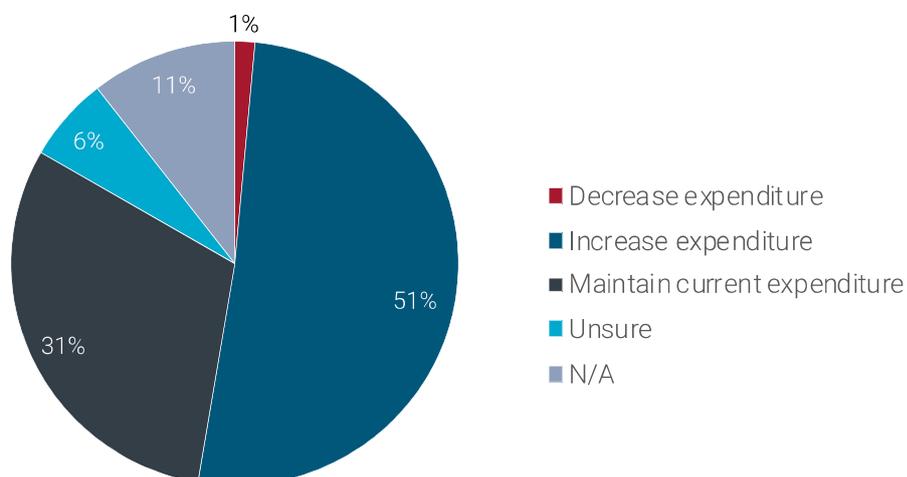
In this part of the survey, businesses were asked if they intended to increase, maintain or decrease their training and development expenditure over the next 12 months.

Companies of all sizes indicated their intention to increase their expenditure on training and development over the next 12 months.

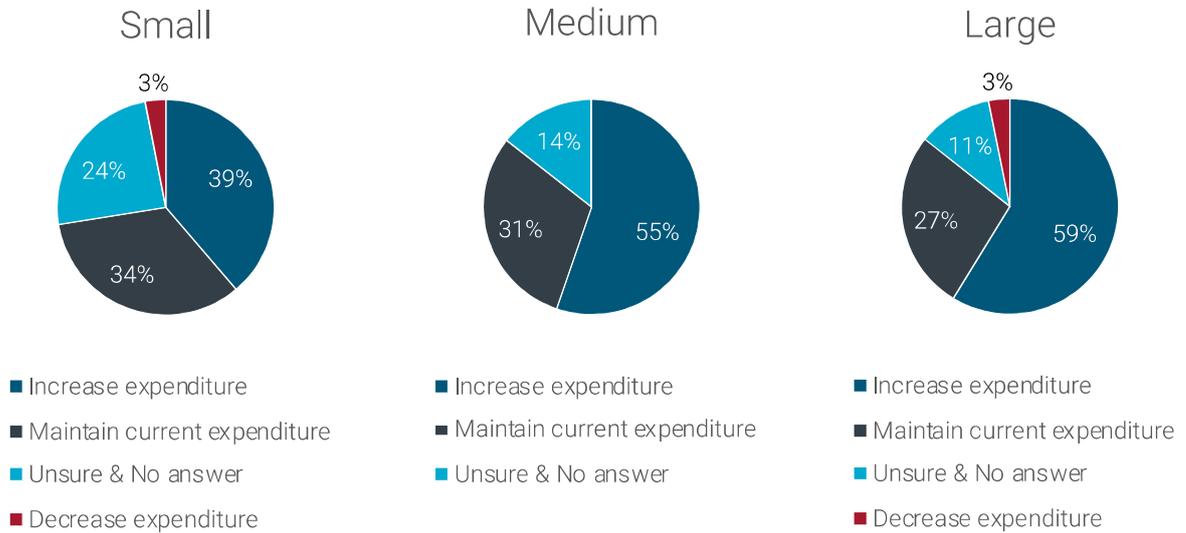
Overall, 51% of businesses planned to increase their expenditure and 31% intended to maintain current levels.

This means 82% of businesses intended to either maintain or increase the amount they spent on staff training and development in the coming year.

Intentions for expenditure on education and training over the next 12 months



When we look at the results by firm size, the intention to increase expenditure was strongest among large businesses (59%), followed by medium business (55%).



These results show a widespread acknowledgement of the need to develop existing workforces, and the imperative to maintain or increase expenditure on training to make that happen.

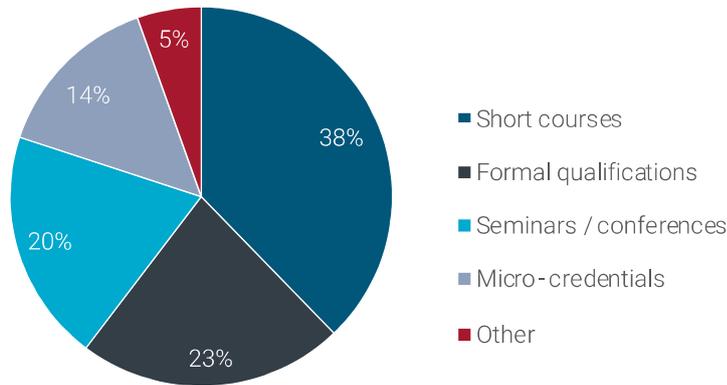
When it comes to the type of training or qualification short courses were the most preferred, with 38% of respondents favouring this type of education and training. This was followed by formal qualifications (23%) and seminars and conferences (29%).

What type of training and provider?

For those companies signalling an intention to provide training and development in the next 12 months, we asked more about the type of training and provider they intended to use.

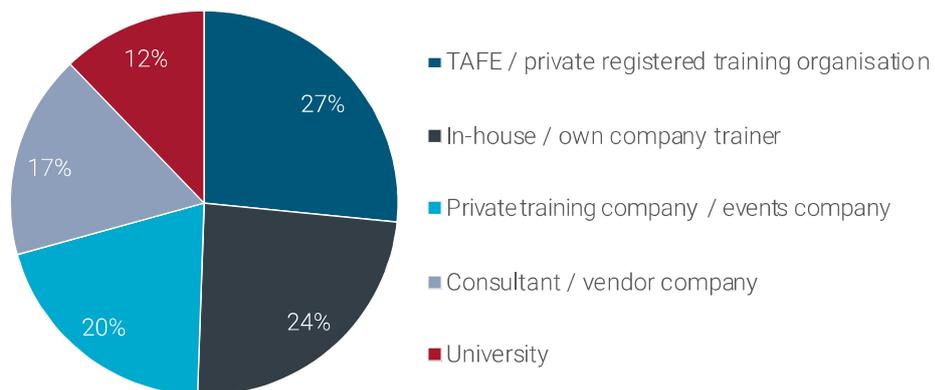


What kind of training do businesses intend to undertake in the next 12 months?



When choosing a provider, overall 27% of respondents signalled an intention to use TAFE or a private Registered Training Organisation (RTO) and 24% intended to use a university.

What type of provider do businesses intend to use?



When we look at the preferred provider for particular types of training, we see some clear trends.

For short courses, in-house/own company trainer was the most preferred option (37%) closely followed by private training company/events company (36%). Universities were the least preferred provider for these types of short courses.

For micro-credentials, universities were again the least preferred provider (7%), with TAFEs and private Registered Training Organisations the most preferred (16%).

For seminars and conferences, respondents tended to prefer in house or own company training or a private training company/events company.

What does this mean?

Businesses' clear support for short courses using in-house or private training providers points to the need to recognise and capture the benefits of this type of training in more consistent ways.

Much of this training is assessed in some way, which opens the potential to recognise some as micro-credentials. Doing this is no longer a question of 'if' but 'when' and 'how' and governments should prioritise this as standards are developed around microcredentials and within the context of implementing the broader reforms to the Australian Qualifications Framework (AQF).

Businesses' intentions to use TAFEs and private registered training organisations for formal qualifications may reflect the funding that the Commonwealth and state governments have directed towards fee-free training since the pandemic commenced. This could be seen as an endorsement of the policy. However, it will be interesting to note in the future whether an increase in support for VET qualifications has affected completion rates.

The rise in the intention to re-skill on the job means businesses know they won't get what they need from the labour market and will have to work harder to get to their desired outcome.

Re-skilling existing workers and re-skilling or up-skilling new employees are becoming more prevalent in this tight labour market. This highlights the importance of developing a lifelong approach to learning, and of developing a range of industry-endorsed micro-credentials that will enable shorter and better targeted up-skilling and re-skilling opportunities.

There is also strong evidence that government support can be a deciding factor in businesses' decisions to implement skills and workforce strategies.

Although funding support can sometimes be critical, 'government support' can take more forms than just funding. The education and training system is complex and often companies need assistance to navigate their way through – with things like finding the right contacts or accessing the right program. Advice that is independent of education and training providers can help a company select the most appropriate solution for their needs.



Apprentices and trainees

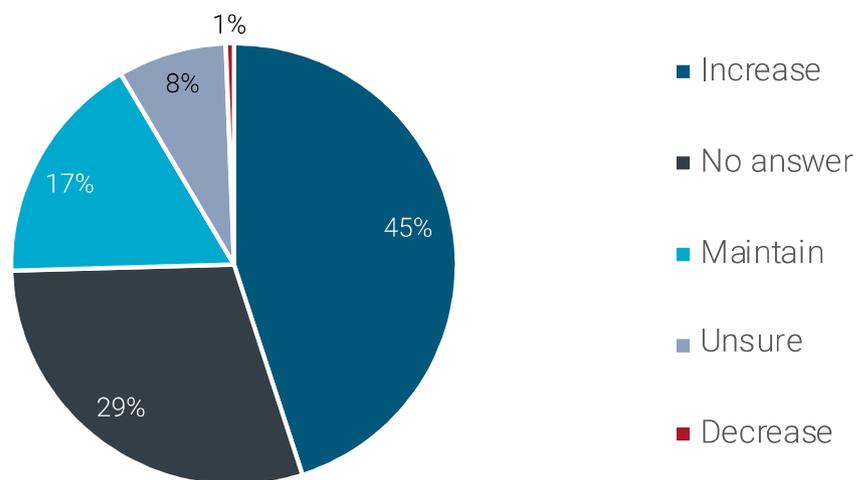
Apprenticeships and traineeships are a critical part of the education and training system, but they rely on businesses playing a direct role. Understanding businesses' intentions and level of support for these training pathways is therefore key to getting the policy settings right.

We asked those respondents with apprentices/trainees if they intended to change the number they employed over the next 12 months.

Almost half (45%) reported they planned to increase the number of apprentices/trainees they employed over the coming year. A further 17% planned to maintain current numbers.

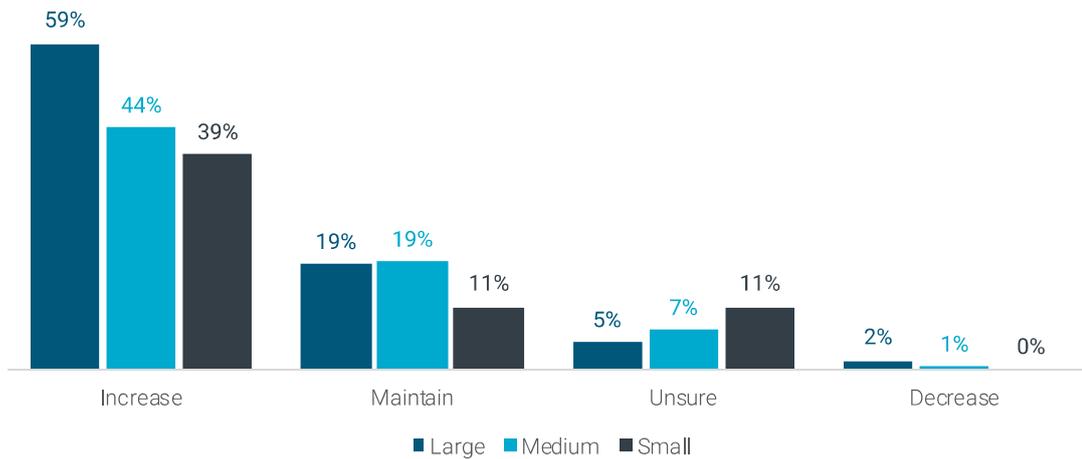
Only a small fraction (1%) indicated an intention to decrease the number of apprentices/trainees they employ.

Businesses' intentions on apprentices/trainees



Large businesses were the most engaged on this, with 59% responding that they intended to increase the number of apprentices/trainees they employ.

Businesses' intentions on apprentices/trainees, by company size



Despite the positive intentions towards employing apprentices and trainees, the percentage of employers intending to increase numbers was lower than the previous survey period, where 58% of all respondents said they intended to increase numbers. This may reflect the current difficulties employers are having in finding suitable applicants for apprentice and trainee contracts.

What does this mean?

Overall, Ai Group data on businesses' intentions on apprentices and trainees demonstrates an ongoing endorsement of the apprenticeship system and a willingness to continue to invest in skilling new entrants.

The current labour market makes it difficult for employers to find suitable applicants, possibly because there are employment options available that offer higher wages in the short term, but without the longer-term benefits. This highlights the need to promote the value of apprenticeships and traineeships to school leavers and others as an entry to a skilled career, not just a job.

The apprenticeship model has great potential to be adopted as a major work-based learning pathway at technician and para-professional levels and beyond. Making use of opportunities to expand the apprenticeship system to higher levels will also help reinforce the message about their worth as valuable entry-level pathways. Additionally, a new model built around the needs and experience of mature-aged workers could be developed and piloted. These workers currently find barriers to participation.

A much stronger model of national coordination will similarly support apprenticeship outcomes. Governments need to consistently monitor and evaluate policies on apprentice/trainee incentives – for both employers and those in training – to ensure they are appropriately targeted and support consistent training pipelines over time. The current apprentice and trainee commencement and completion incentives must be improved by increasing government support to all apprentices and trainees, reinstating and extending completion incentives to all, and by developing best practice mentoring and support programs in consultation with industry.

School leavers and graduates

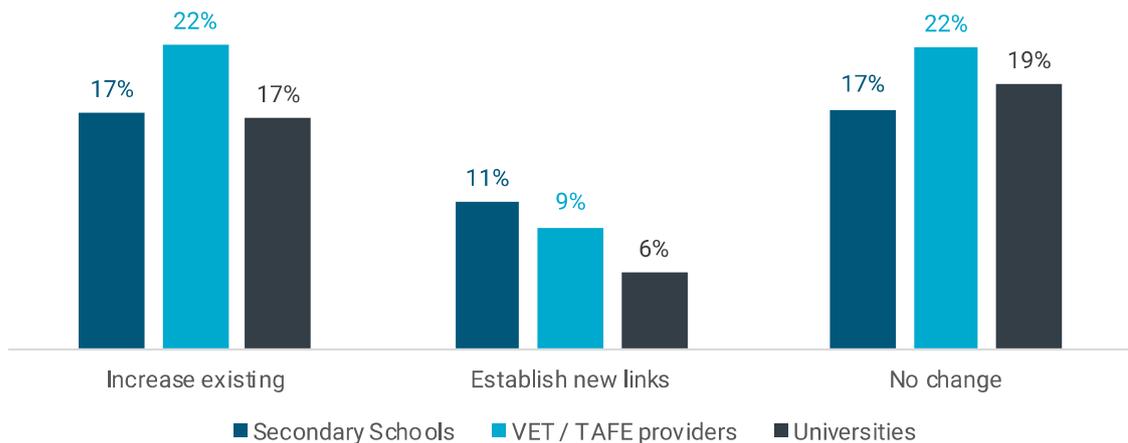
Businesses' engagement with students and education providers

In this environment of skill shortages, it's important to find out more about businesses' level of engagement with the education and training system at the graduate or entry level.

There are several models of engagement employers might be familiar with, including work experience, apprenticeships and traineeships, but other options include internships, structured workplace learning, and research projects with post-graduate students.

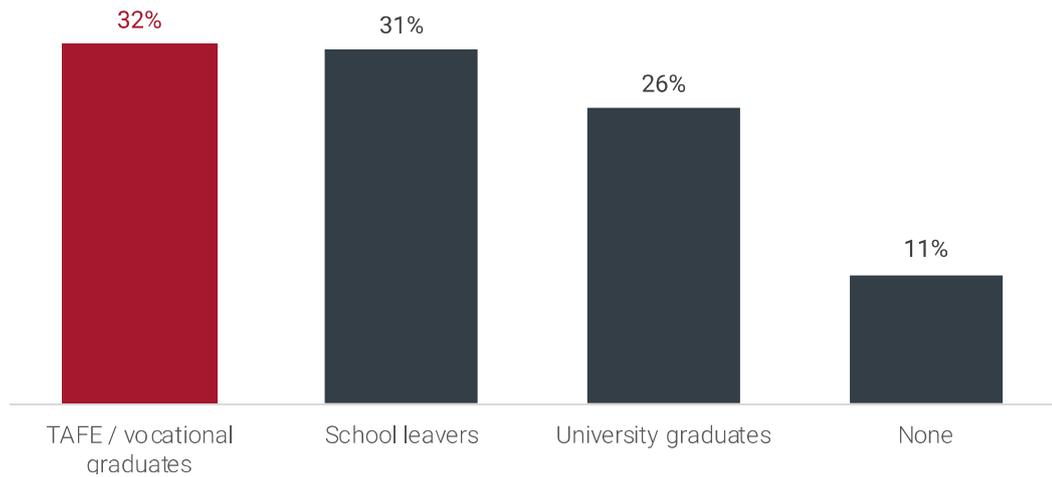
In terms of existing engagement, no business said they would decrease engagement with education providers, with most employers wanting to maintain, increase or establish new connections in the coming 12 months.

Employer intentions on engaging with education and training providers



There was also a strong intention to recruit at the graduate or entry level. 32% of businesses said they would recruit VET graduates, 31% said they would take on school leavers and 26% would take on university graduates.

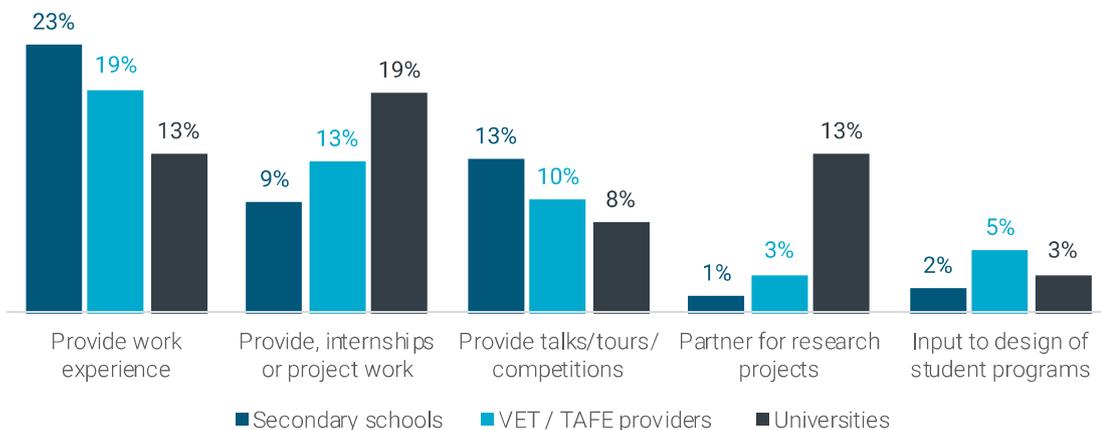
Employer intentions to employ school leavers and/or graduates



Among those businesses wanting to increase their links with education providers, the focus was on opportunities to provide work experience to secondary school and

post-secondary VET students. For university students, offerings like internships, research or project work were preferred.

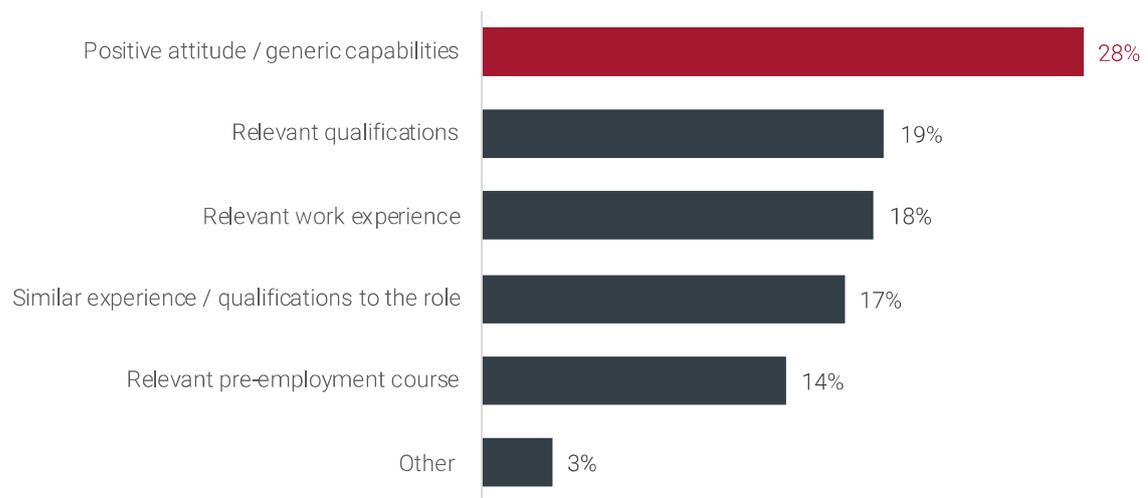
If you intend to increase links with education providers what will be the nature of the involvement?



School leaver/graduate attributes

When employing school leavers or graduates, 28% of businesses indicated that a positive attitude/general capability was their most preferred attribute when recruiting.

Relevant qualifications (19%) and relevant work experience (19%) were the next two highest priorities for employers.



What does this mean?

Overall, all businesses surveyed said they would maintain, increase or establish new connections with the education and training system in the coming 12 months. There was also a strong intention to recruit at the graduate or entry level.

However, responses on this issue show businesses' engagement with the education and training sector is lower than it could be.

There is room for improvement here. The benefits of work-integrated learning and work-based learning are well established, and many businesses and industry sectors are alert to this and are highly engaged. Once engaged, industry partners have the potential to be involved more broadly than taking on students – possibilities include co-design, co-delivery, co-credentialling, co-assessment of full qualifications and microcredentials as well as research collaboration. All of these activities help to better meet the skill and innovation needs of businesses.

There's more work to do to create a culture of strong integration between the education and training system and workplaces in Australia.

Conclusion

In many ways, this survey tells us what we already know – that Australian businesses are experiencing significant, many would say unprecedented, skills and workforce challenges.

These challenges are acute in some parts of the workforce, but also widespread, spanning a wide range of occupations, industry sectors and locations. This is consistent with the findings of the recently released **2022 National Skills Priority List**, which shows the labour market has tightened significantly since 2021 and that shortages of Technicians and Trades Workers remain deep and persistent.

Improving digital skills across the board, ensuring we have the capabilities to transition to a clean economy and the leadership and management skills to navigate uncertainty will be key.

We will also need a system that can rapidly and flexibly upskill existing workers, through a genuinely collaborative approach between industry and the education and training sector. Not an easy ask, but the status quo isn't easy either.

The much-needed establishment of **Jobs and Skills Australia (JSA)** promises to progress work towards current, emerging and future workforce skill and training needs as well as closer collaboration between Federal, State and Territory governments, industry and education providers. Adequate funding should be provided for the establishment and ongoing operation of JSA as an independent statutory authority.

The skills challenge also promises to be better addressed through recent progress by Federal, State and Territory Ministers to finalise a **National Skills Agreement** to deliver fee-free TAFE places and to develop a longer term National Skills Agreement to commence in 2024.

Accompanying these actions, a planned **Australian Universities Accord** that reviews several important aspects of the higher

education system will be a key contributor to a highly skilled Australia. It is particularly critical that strategies to strengthen engagement with industry are built in to ensure that graduates have the knowledge and skills required by businesses, supporting their entry into the workforce and further development through lifelong learning.

Implementing the recommendations of the **Noonan Review of the Australian Qualifications Framework (AQF)** will help to unlock the rigid constraints the current AQF places around skills and knowledge. The proposed reforms allow for more flexibility in the way we combine the teaching of skills and knowledge, and a deeper understanding of the importance of context and application in education and training. This more context-based approach to education and training will likely see less workers 'falling through the cracks' - developing technical competencies without the enabling skills to apply them.

The education and training system also needs to be built on a **culture of lifelong learning**. The system is currently geared to support Australians to secure initial post-secondary qualifications, but it is less well-suited to enable people to re-enter the workforce or pick up new skills later in life. We need a better set of options for people to upskill and reskill quickly and then have those skills recognised and shared with employers and education providers.

To drive forward lifelong learning, we need to increase delivery and integration of short, stackable training options, including microcredentials. This kind of education and training is particularly suited to mid-career Australians, who are more likely to have existing qualifications and working or caring responsibilities that make it difficult to engage in full-time or long-term study.

Development and design of microcredentials is now supported by the principles in the **National Microcredentials Framework** – a document that has represented progress in the establishment of consistency and

standards. Microcredential development should encourage education and training providers to engage with industry. Improved engagement better identifies skill shortage areas. It will ensure microcredential design and content is specific to re-skilling and upskilling needs.

Increasingly, strong learning cultures within businesses will help drive success, as technology continues to evolve and workers at all skill levels need to continually develop and add to their skills and capabilities.

Leadership and management capabilities will be key to developing this culture. One of the most concerning findings was the almost one third of respondents who considered their managers and leaders not well equipped to ‘build an agile and personalised learning culture’. This should be a ‘red flag’ for businesses, and policymakers more broadly. If this is a deficit in managers’ capabilities in this area, it is one that must be addressed if new models of short form training and learning are to become features of the contemporary workplace.

With digital transformation continuing to change the role and function of managers, regular upskilling and development of managers is essential. Employers need improved access to relevant microcredentials to regularly develop managers in new roles, tasks and capabilities. Australia’s tertiary education system must be supported by governments to design, develop and deliver the management development programs industry needs.

A more coherent and connected tertiary education system will be another way to ensure future skill demands are met. There are currently barriers for students wanting to move between sectors. Businesses have demonstrated to Ai Group that they need people with skills only gained through a combination of VET and higher education qualifications. Increased engagement between the higher education and VET systems can increase pathways for students, and maximise the knowledge and skills required by businesses acquired across both sectors.

The **tertiary education funding model** needs to be equitable across sectors, sufficient to deliver access and equity principles, practices and programs, and support both public and private providers.

The survey tells us businesses are well aware of the complex skills and workforce challenges Australia is facing right now – and are feeling the pain. However, they are also formulating and investing in solutions.

We ask policymakers and the education and training system to work with them, to ensure we develop the workforce we need to navigate uncertainty and maximise productivity and potential – for us all.



Contact for this report

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