

Productivity Commission
4 National Circuit
Barton ACT 2600
By email: 5pillars@pc.gov.au

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Dear Productivity Commission

Building a skilled and adaptable workforce

Introduction

The Council of Small Business Organisations Australia (**COSBOA**) welcomes the opportunity to respond to the Interim Report on Building a Skilled and Adaptable Workforce (**Report**). Small businesses¹ employ over 5 million people across the country and create the jobs our communities depend on. Small businesses are currently operating in the toughest labour market conditions in recent times, with critical skills shortages constraining growth and productivity.

As the Productivity Commission is aware, skills shortages are crippling small business, training barriers are high, and recent industrial relations changes make recruitment even more difficult. COSBOA considers the recommendations proposed in the Report represent a genuine opportunity to building a skilled and adaptable workforce.

As the nation's largest employer, small business plays a pivotal role in training, upskilling and reskilling the workforce, with incentives aimed at lowering the financial barriers to employee education, a key enabler to growth. This could be supported by policies across Government Departments such as Industry, Infrastructure, Communications and Home affairs.

Small businesses want to invest in training that enhances their operations and offerings, empowers their employees and accelerates adoption of new technologies. While small businesses offer non-formal learning opportunities every day, formalised training can be expensive and time consuming, and for small businesses that can be very hard to absorb.

Below are our comments on some of the recommendations made by the Productivity Commission.

Draft Recommendation 1.1

COSBOA would support a national platform of materials that is nationally consistent especially in the foundation subjects of 'Reading, Writing and Arithmetic' to improve the national standards of students in these areas.

¹ ABS definition used here where small businesses are those employing 0 to 19 people.

Draft Recommendation 1.2

COSBOA agrees with the intent to provide equitable access in Educational Technologies (EdTech) and Artificial Intelligence (AI), however, significant work is required in the AI space to ensure all users are trained, and schools have access to funding to integrate AI and EdTech into their teaching practice.

Draft Recommendation 2.1

COSBOA supports the recommendation to move toward a national system of credit transfer and recognition of prior learning (RPL) in the VET and University Systems. This would make it easier for employers, workers, and learners to have skills recognised whilst also minimising duplicate learnings and improving productivity.

Industry Associations, such as COSBOA and through our members, have a part to play in providing input if the worker has undertaken industry recognised accredited training in the workplace as well.

Draft Recommendation 2.2

COSBOA supports the better targeting of incentives. Targeted, incentivised work-related training would not only allow employers to offer the right education opportunities to staff, it would also support innovation, increase specialised skills and improve small business service offerings.

The uptake of incentivised work-related training by small business via tailored advisory services was commendable, providing a one-stop shop for information dissemination and sharing.

Financial incentives (such as tax credits) that support a business would require clear definition to ensure successful outcomes. COSBOA also considers that the proposed trial of an SME advisory is necessary, however, some accredited Industry Associations have this service as part of their membership benefits already, additional funding may be required for increased support, but a body should not be established purely to gain Government funding to carry out these activities.

Draft Recommendation 3.1

COSBOA notes the recommendation by the Productivity Commission to remove excessive occupational entry regulations that offer limited benefits. As a general statement, COSBOA agrees that reducing complexity, compliance costs and administrative burdens for small businesses is key. The expansion of entry pathways and streamline qualification requirements across Australian jurisdictions would also be a win for small business, with a skills shortage forcing many to search far and wide for suitable employees.

Currently, across a range of professions, there are excessive occupational entry requirements. For example, a qualified hairdresser from Queensland has to prove they're experienced enough to work in NSW, and a motor vehicle repairer from South Australia may face barriers to entry to work in other states.

A balance between necessary regulations and operational flexibility is essential to ensure small businesses can thrive whilst workers have sufficient mobility to move between different jurisdictions for employment purposes. COSBOA strongly supports the nationalisation of standards embedded in a national licensing recognition system. Equally, mutual recognition of qualifications from state-to-state would help fill skilled job vacancies and enable small businesses to hire where and when they need.

However, much greater consideration should be given to the public benefits of a highly skilled workforce and how standards can be lifted across industries through nationally recognised qualifications and common OERs where appropriate. COSBOA is concerned about the proposals in the interim report to remove OER requirements in certain states if there are lesser requirements in

other states. COSBOA notes that hairdressing and automotive mechanic trade were both noted as priority occupations for consideration in this regard. In many industries, mandatory qualifications are necessary for public safety and consumer protection and there is evidence that mandatory requirements significantly increase course completion rates.

Draft recommendation 3.3 and 3.

COSBOA understands that some occupational entry regulations are being considered through the National Competition Policy; see Treasury's current consultation on National Licensing for Electrical Occupations. COSBOA suggests that at the minimum, it is important for Government departments and other agencies to inform one another of simultaneous reviews and consultations.

Conclusion

In building a skilled and adaptable workforce, it is imperative to minimise the process and time to update and receive training products as well as ensuring that the university and VET sectors work closely together to offer shorter, faster training opportunities through micro-credentials. Financial incentives must be aligned with the skills priority list and reviewing the role of intermediary organisations to better support small business engagement.

It is also important to note that COSBOA strongly opposes the introduction of a training levy. Revisiting a 30-year-old training levy is the policy equivalent of dial-up internet – expensive, clunky, and long past its use-by date. National levies were scrapped because they just heaped more costs and red tape on small business without fixing the skills crisis. The real solution will be realised through targeted incentives that encourage employers to take on apprentices and invest in training.

We look forward to our continued partnership and advocating for practical solutions to uplift Australia's small businesses.

Yours sincerely,



Matthew Addison
Chair, COSBOA