

Jobs and Skills Summit Submissions

Addressing acute and chronic workforce shortages for small businesses

September 2022

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ABOUT COSBOA

Small business in Australia is the backbone of the economy. We harness its diversity and provide its people with a voice distinct from big business.

Established in 1979, The Council of Small Business Organisations of Australia (COSBOA) is a member-based not-for-profit organisation exclusively representing the interests of small businesses.

The capability, representation and reach of COSBOA is defined by a mix of over 45 national and state-based association members. COSBOA's strength is its capacity to harness its member's views and to advance consensus across policy areas that are common to many. Our member organisations work behind the COSBOA secretariat to assist us with policy development and to guide our advocacy - not just for small business but also for the benefit of the Australians they employ.

In this capacity, COSBOA makes submissions and representations to Government, including its agencies, on issues that affect small business and in pursuit of good policy.

This paper was prepared by the COSBOA Team.

Acknowledgement

The Council of Small Business Organisations of Australia affirms that Aboriginal people and Torres Strait Islander people are the Indigenous people of Australia. For the purposes of this work, we would like to acknowledge the Ngunnawal people of Ngunnawal country, whose land this work took place on.

We acknowledge and pay respect to the past, present and emerging Traditional Custodians and Elders of this nation. We also recognise those whose on-going effort to protect and promote Aboriginal and Torres Strait Islander cultures will leave a lasting legacy for future Elders and leaders.

FOREWARD

With the government's Jobs and Skills Summit poised to bring industry and union representatives together to discuss post-pandemic workforce challenges, COSBOA welcomes the opportunity to participate and offer the small business perspective in a way it has never done before.

The Jobs and Skills Summit on 1 and 2 September 2022, is at a critical time in Australia's history as we grapple with the effects of pandemic disruptions to the workforce at a time of rapid digitisation. If we work constructively and cooperatively, it can be the catalyst for meaningful change for the betterment of the entire economy now and into the future.

This document includes four submissions on the topics of industrial relations, vocational education and training, migration, and digitisation, with a principal focus on addressing the acute workforce shortages.

Some of our key recommendations include:

- Introducing a nationally recognised skills passport;
- Relaxing restrictions on working hours for migrants;
- Considering extending short-term visas to four years;
- Developing co-contribution schemes to fund vocational education and training, like the former National Workforce Development Fund or Industry Skills Fund;
- Incorporating digital skills into training for trades traditionally seen as 'non-digital'; and
- Simplifying the workplace relations system, including more flexibility for part-time staff.

COSBOA's goal as we enter the summit is to create the ideal policy environment in which small businesses are empowered to grow and thrive. That includes access to an appropriately skilled workforce, ease of employment, flexible opportunities for employees and small business owners to skill, and upskill, as well as equal access to digital solutions.

Alexi Boyd
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INDUSTRIAL RELATIONS REFORM

Simplicity for the SME Sector



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INTRODUCTION

The National Jobs and Skills Summit provides an opportunity for Australia to navigate a path to economic recovery and to put in place national policies that will be needed to stimulate economic growth, business investment and productivity.

One of the significant concerns for the small business community is the cost of employing people, not just in time and money but also in increased levels of personal stress for the employer. In a small business, the employer rarely is an expert on workplace relations. Yet they are expected to be an expert in this area and on workplace health and safety, insurance, workers' compensation, leasing requirements, competition law and many regulatory requirements specific to their industry.

Small businesses (defined by the ABS as those with 0-19 employees) employ over 5 million people, which is 42% of the private sector workforce. Many are run by an individual, perhaps a couple or a family and it is often the owners of the small business which must navigate all the requirements without the teams of HR and legal staff at the disposal of larger organisations. The complexities of the current IR system favours organisations with those resources.

For small business people such a complex system can be an impediment to growth since it may discourage employment. When you multiply this across all small businesses sector which employs 5 million people the confusing and expensive workplace relations negatively impact innovation, productivity, and the economy.

BACKGROUND

Australia's Industrial Relations system is premised on the operation of Modern Awards (which came into effect in 2010) and their various Industrial Award predecessors. These IR mechanisms set the minimum working conditions and wage rates for workers in specific industry segments. These Awards have been built over more than 40 years and have remained largely unchanged in their architecture and operation, despite iterative changes.

These Awards were developed when there was strong union representation in large institutional and enterprise workplaces. Workplace unions represented large numbers of employees, and large organisations developed in-house IR, legal and employment teams to support the effective operation of the Award System.

Over the last 25 years or so, Enterprise Bargaining was introduced. This mechanism allows large enterprises and government organisations to utilise their in-house resources (often supplemented by external IR services) to develop an agreement beyond the minimum requirements of the Awards to provide mutual benefits to both the enterprise and the workers. Negotiating these agreements is conducted under various safeguards, which, until 2010, involved applying the No Disadvantage Test (or NDT), and more recently, the Better Off Overall Test (BOOT).

Notwithstanding the problems with the latter test, the operation of the current industrial relations system (and its associated enterprise bargaining arrangements) has put small businesses at a distinct disadvantage. Small businesses don't have the in-house resources to interpret complex awards and/or negotiate EBA's with their workers and therefore, allowing them to compete more effectively with big businesses for talent. As a result, they are forced to fall back on the Modern Award structures, which constrain their ability to negotiate among other aspects of employment, the associated productivity benefits.

As small businesses emerge from the COVID-19 crisis with the ongoing economic consequences and rising inflationary pressures, COSBOS believes this creates an opportunity to reset discussions from the perspective of small businesses, to address this inherent workplace disadvantages for small business owners.

PROBLEM STATEMENT

The current complexity of the Modern Award system puts the small business at a significant disadvantage in that it can be open to considerable interpretation by the employer and employee alike. Increasingly COSBOA members give examples where the parties revert to a dispute process that often requires the employer to expend scarce capital on legal advice and/or pay 'go away' money to the employee.

Case study: Convenience Store

Mr S runs a convenience store. He sells groceries and take-away food. The award he is using covers all the workers in his shop. One day he notices that many elderly people from a nearby aged care facility buy takeaway coffee and food from his shop, and they have to stand around waiting for their orders to be made. He provides a solution and makes available tables and chairs for the waiting people.

Previously the customers would collect the food and coffee from the counter after their name was called. This was until one of the employees started to take the order out to the older people. She does this to be thoughtful and friendly. Later, in a conversation with a friend, the employee was told that she should have been paid more as she served food to a table. She approaches the government workplace agency that forces the employer to pay many thousands of dollars of back pay.

This is an example of the inherent inflexibility in the system. Both the employer and the employee were well-meaning. The employer has now removed the offending table and chairs and lost customers from the aged care facility. An adverse outcome for all involved.

Competitive neutrality

SMEs have long suffered a competitive disadvantage relative to their larger competitors (e.g. General Retail Industry) as a result of their inability to access the Enterprise Bargaining Agreement mechanism of the IR System. This is mainly as a result of these businesses having a lack of internal IR resources and zero capacity to spend the necessary time and capital to negotiate a fair agreement for their workplace (i.e., notwithstanding the current difficulties of the Agreement making mechanism).

Small businesses need a system that enables them to build bespoke agreements that meet their unique needs. A system in which small businesses and their associations can, for example, develop a framework for agreements to suit their small businesses members. Adopting this could give small businesses access to the benefits enjoyed by their larger competitors, effectively addressing a longstanding competitive disadvantage in terms of labour force flexibility and staffing costs.

A Better Off Overall Test which is fit for purpose

Replacement of the (NDT) with the Better Off Overall Test (BOOT) in 2010 created a 'high bar' test by

the Gillard Labor Government in 2012 that made the development of new EBA's, or renewal of existing EBA's, increasingly difficult. As a result, we now have a situation where many enterprises are operating under what is commonly termed 'Zombie EBAs' that has not been materially updated for nearly a decade – and there is some suggestion that this failure has been responsible for wage underpayment issues because of these Zombie EBA's not being updated in line with Award pay rate changes.

COSBOA would seek to re-evaluate the BOOT to remove prospective employees and future conditions which are not in existence when discussions are taking place.

Penalty Rates

Penalty rates have their place for those who work long hours or in different conditions, but a system that creates a situation where a business is forced to limit opening hours restricts a business growth. For example, a system where a pharmacy can't open on Sundays, half the retail shops in a community close early, or where schoolkids don't learn about working life through weekend jobs contracts a local economy and limits opportunities for on the job learning for the next generation.

Penalty rates can restrict business, are complicated and differ from award to award so if a business straddles several awards this can be confusing. Consistently applying these across sectors should be considered.

DESIRED ELEMENTS AND SOLUTIONS

Several elements could assist small businesses, which could be incorporated into discussions about simplification, productivity, and any future bargaining mechanism, but not be necessarily limited to these. The following elements could be considered as options in some small workplaces:

1. *Specification of a single "all-hours rate" (commonly referred to as a loaded rate)*

It is envisaged that this rate would be developed around a prescribed formula to ensure that the *loaded rate* reflects changes in the normal rates, loadings, and penalties of the relevant Award. There would be capacity for tailoring the formula to the specific nuances of individual Awards where necessary.

It is envisaged that this rate would aggregate all salary elements other than public holiday loadings (i.e., normal rate, allowances, loadings, and penalties).

2. *Directed work hours reduction*

Inclusion of a provision developed similar to the Job Keeper IR Bill that provides a directed reduction (capped at a maximum of 25% of hours worked). The decrease could be instituted immediately upon mutual agreement or directed with two weeks' notice to the affected employee.

3. *Flexible part-time employment*

Inclusion of a provision for the employer and employee to agree that the employee could work increased part-time hours at the normal rate (i.e., without paying overtime loadings) up to the maximum weekly hours denoted in the relevant Award. Overtime rates would be paid once the employee had worked full-time hours in any given week (as stipulated for full-time employees).

4. *Permanent to Casual conversion process*

Inclusion of specific provisions for casual conversions (i.e. single timeline and procedures) for all small businesses regardless of the industry in which they operate.

5. *Stand-down provisions*

A formal provision that allows a business to stand down employees where the business has experienced a threshold revenue reduction (e.g. 30%) over a defined period (e.g. two successive months).

6. *Unfair dismissal*

A universal provision for small businesses (primarily as per current NES, but with formalised eligibility criteria for employee claims to be lodged), regardless of the Award under which the small business operates.

7. *Small business definition*

The Fair Work definition of a small business should align with the ABS definition or be changed to an FTE application rather than headcount of only 15 employees. This definition is no longer fit for purpose in the modern workplace.

8. *Written determinations*

The ATO has a range of concessions for small businesses, which are subject to certain eligibility requirements being met and businesses can seek written determinations that provide assurance surrounding eligibility. COSBOA believes a similar service could be offered through the FWO and where a business may straddle different awards, to seek a determination on the appropriate award to use.

SUMMARY

COSBOA believes that the post-COVID-19 recoveries, and the consequent economic and IR impact on Australian business, provide a clarion call for the reform of the IR system to address a longstanding disadvantage to small businesses arising from the current IR Framework. This call is made more urgent given the prevailing economic conditions, rising inflation, and low unemployment.

COSBOA believes that the settings for accelerated productivity and job security would be best served by a framework based on the needs and capacity of the small workplace. A framework that reduces complexity and provides simplicity for ease of understanding for employers and employees.

There is also a need to recognise that a small business must be viable to employ people and that viability is based on the capacity for the business owner to also make a modest living for their effort, a return on the investment in the business and a return and reward for the risk taken.

This paper is not intended to prescribe the detail but rather to highlight the elements that could assist in enhancing productivity and employment creation in the SME Sector by making the IR System more straightforward to navigate and providing a level of workforce flexibility that larger organisations have previously enjoyed.

VET AND SKILLS

INTRODUCTION

The National Jobs and Skills Summit provides an opportunity for Australia to navigate a path to economic recovery and to put in place national policies that will be needed to stimulate economic growth, business investment and productivity.

COSBOA believes that it will play a critical role in enhancing workplace relations, which is necessary to address the national workforce skills shortage and achieve sustainable wage and productivity increases. While the Summit will undoubtedly discuss skilled migration as a way to fill current skilled workforce needs, it must also canvas long-term solutions to issues within the sector.

To date, lifelong learning has usually been left to the individual regarding their career trajectory. Rather than encouraging lifelong learning, the tertiary education system is largely designed and focused on providing young Australians qualifications before entering the workforce.

The difference between now and previous years must be what lifelong learning looks like, as people live longer and their initial qualifications become outdated as technologies advance.

Some questions we hope that will be addressed are:

- What are the solutions that will benefit local economic development, small businesses, and the whole economy into the future?
- How do we collectively generate demand for individuals to invest in their education and skills development?
- What constraints in terms of policy, funding, structure, and regulation may restrict the education sectors' ability to partner with one another and employers as higher-level skills become even more critical in the future?

BACKGROUND

Small businesses transverse all parts of the VET system as both trainers and trainees; they do not just engage with training products for developing a business.

Small businesses contribute to workforce skills and productivity by providing training to new and existing workers of various ages and skill levels. This training can take many forms. Examples of the skilling and training small businesses offer include:

- Informal skills development (about 85% of workers' informal learning is paid for by employers)
- Formal traineeships
- Cadetships to high school graduates
- Employment of university graduates through internships who may continue to study at a post-graduate level while simultaneously working.

COVID-19 has significantly changed the jobs and skills landscape, introducing a new urgency in retraining and reskilling the national workforce. The disruption caused by the pandemic may impact apprenticeship numbers and no doubt skills development across many occupational classifications.

The financial position of many small businesses has deteriorated due to the COVID-19 pandemic. Small businesses that previously readily offered training opportunities to workers – especially new workforce entrants – will not be financially able to do so for a considerable period.

This will negatively impact the small business sector's role in skilling a highly productive workforce. Accordingly, any significant delays to the current timeframe of implementing the new delivery model will bring substantial opportunity costs to all businesses and the broader economy, as it will delay work on training standards (delivery and maintenance).

PROBLEM STATEMENT

The VET system has been subject to 35 years of reforms.

These changes over time have not added value to small businesses as individual enterprises, as part of an industry group or within a local community. Funding models are not aligned with the skill needs of non-trade workers.

- **Navigation** - There are too many program agencies providing similar or duplicated services and programs, as well as too many jurisdictions with different systems.
- **Local** - There needs to be stronger relationship between employers, industry, schools, and TAFE to ensure that training and qualifications are linked with job outcomes – particularly at the local level.
- **Future workforce needs** - Consideration must be given for the evolving and diverse needs of small business including the importance of digital upskilling of the workforce.
- **Lifelong learning, upskilling** on the job, and the role of micro-credentials must all be considered as part of the future of VET and skills.

PROPOSED SOLUTIONS

1. Assisting small businesses to navigate a complex system

Small businesses are often only considered by policy makers at the end point when matching qualifications with job descriptions, or when graduates or apprentices are placed within a business. Meanwhile, it is expected that small business people happily navigate multiple government jurisdictions and understand public and private institutions' platforms and qualifications (often duplicating one another), not to mention being expected to understand the impacts on their payroll and tax - often with little support.

Additionally, it is crucial to understand the way small businesses interact with lifelong learning, learning on the job, and microcredentials. They form part of the natural processes which small businesses use to upskill themselves and their workers.

The COVID-19 pandemic has highlighted the vulnerabilities of the system for small businesses. Absenteeism has disrupted their training processes and limited their options to engage with new skilled workers. When sudden changes occur, it is harder for small businesses to adapt to a system they are already struggling to navigate. An example of this was the changes to the Boosting Apprenticeships Commencement Scheme, which were not effectively communicated to small businesses.

COSBOA is supportive of a mechanism like a skills passport which helps to navigate these complexities. This could be a function of the new JSA.

Recommendation:

JSA to consider how small businesses navigate the system when employing, training, and upskilling themselves and their staff.

In periods of stress, ensure consideration is given to small businesses to communicate changes to the system effectively and allow time to adapt.

Create a nationally recognised “skills passport” to make it easier for employers and their workers to recognise qualifications of all types, including micro-credentials.

2. The funding model

Funding has become the dominant influence on behaviour in the VET system. Often training meets the needs of an RTO rather than identifying the local or industry specific skill needs. Over time, this has distorted training outcomes. What drives demand for training - for example, industry, students, or regulatory mechanisms - has not been well defined.

Funding Australia’s skills framework is a confusing and incoherent mix of direct and indirect government investment through employer payments, employee wage subsidies, student funding programs, and student loan programs. Addressing “who pays” for transparency is essential, as “who pays” is a natural characteristic of who benefits from outcomes. Therefore, a combination of enterprise, government, and individuals should be expected to contribute financially, with the proportions of support reflecting the benefit level.

Getting the balance right between the public and private sectors opens the opportunity to strengthen the relationship between the skills required in the workplace and the training provided by the VET system.

- There exists inconsistent state funding for identical qualifications.
- There is a lack of funding for “thin markets,” e.g., wireless communications.

Small business owners who commonly work within their business but are not deemed employees are missing out on vital upskilling and reskilling opportunities, all because the funding model is skewed towards employees. This requires urgent review.

Funding models such as VET HELP or AUSTUDY restrict employers, contractors, and in particular small business owners from accessing these support programs. Part of JSA’s role could be to examine options for supporting funding models such as training vouchers, co-contribution programs such as NWDF, ISP, EBPP, or tax relief.

Another option is co—contribution schemes, which may be an opportunity to incentivise businesses. This would extend government expenditure and give greater ownership of the skills task to business (instead of being a passenger).

Recommendation:

JSA to review funding models to include support for small business owners through incentives to encourage upskilling their workers AND themselves.

3. Apprenticeship schemes & completion rates

Many members inform COSBOA that more emphasis must be placed on completion rates and continued education for trainees rather than emphasising commencements.

Data from NCVET demonstrates that apprenticeships in Australia increased 2021. As at 31 Dec 21, 16.8% more apprentices and trainees were in training, higher than at the same period in 2020. The number of trade apprentices in activity was also up 12% over the year. In part, these numbers reflect the success of the Boosting Apprenticeships Commencement Scheme, which included a subsidy for taking on first-year apprentices and trainees.

Despite these record high numbers of apprentices taking up trades, the 22-23 budget has changed and reduced by a 50% subsidy (up to \$28k) from 1 July 2022. A new Australian Apprenticeship Commencement scheme replaces the former. However, it offers a lower wage subsidy of 10% for the first year and has been restricted to a list of priority occupations.

As we attempt to meet future workforce challenges, this reduction is a disincentive for small businesses to take on new apprenticeships whilst facing increasing supply costs and inflationary pressures in running a business. This will compound in July 2024, when apprenticeships and traineeships lose subsidies and are replaced with lower value hiring incentives.

Recommendation:

Consider a higher value subsidy scheme to protect and maintain the current levels of apprenticeship take-up.

Resolving issues around low completion rates by including incentives to focus on this rather than only focusing on new entrants.

4. Small business, industry jobs and skills co-contribution scheme

There is an opportunity to incentivise businesses to invest in a co-contribution scheme for skills development. This would extend government expenditure and give greater ownership of the skills task to business.

The former “National Workforce Development Fund” incentivised training that supported national priorities, targeting areas of critical skill needs to pursue productivity improvement. A co-contribution from businesses varied according to business size, with small businesses contributing 33% of the cost of approved training, medium businesses 50%, and large businesses 66%. This meant that the government's total investment was leveraged for maximum national benefit due to the proportional contribution of Australian business and industry.

Re-instatement of a program like this would apply the same principles, such as targeting core national needs and identifying objectives for performance reporting. This would have to be co-ordinated with the states and territories – a possible role for the JSA.

Recommendation:

Consider a co-contribution scheme for skills development and incentivising businesses to upskill workers and plan for the future of their skills needs.

5. The importance of digital skills

Digital skills is an area that has been identified as crucial for small businesses across all industries to maintain and increase productivity. Digital literacy training for both employees and business owners provides a baseline of skills to keep up with fast pace of change in an increasingly digitised world.

However, it is important when strategically planning digital skills to incorporate the process by which small businesses upskill and engage. These skills are often industry specific, delivered as microcredentials and are delivered “on the job”. Small business owners learn from their peers in terms

of the most effective products to solve problems in their business. Often, they will implement based on information from industry associations, community discussions, trusted advisors, and via software platforms they have already implemented through “app stacking”.

Digital skills should form part of foundation skills for training in all sectors. Small businesses need workers who have a baseline fluency in digital literacy as well as specialist skills for their industry. They require support to identify specialist skills they and their workforce will need into the future to expand and diversify their business.

Alongside digital skills for growth, cyber security skills and awareness must be taught to mitigate the risks of an increasingly digitised world.

Recommendation:

Basic digital skills and cybersecurity should be explored as a foundation skill in all industry training.

6. Recognising the role of micro-credentials

The debate on workforce skilling has typically focused on apprenticeships and traineeships; however, this represents only 8.8% of those in training. The opportunity to utilise micro-credentials remains largely unrealised.

Data from the Australian Bureau of Statistics show that in 2020-2021, around 7.8 million Australians aged 15 to 74 undertook some form of learning, and 5.1 million undertook non-formal learning. The National Centre for Vocational Education Research (NCVER) also publishes data each year on the prevalence of students undertaking training that does not form part of a nationally accredited program.

For instance, in 2020, 2.47 million students enrolled in these subjects and an independent provider supported 92.5%. Micro-credentials are a vital tool in reskilling and upskilling existing workers, giving them additional skills and knowledge to be more efficient in their work, take on new responsibilities, or transition to a new job.

Additionally, it would be good to explore how micro-credentials could be better integrated into the skills system and an opportunity to provide a lifelong learning model that incorporates foundation, trade, micro-credentials, VET and university training as building blocks to skilling workers and improving their career capabilities and competencies.

Recommendation:

Determine the importance of micro-credentials in improving workforce productivity through a review, with scope to consider micro-credential recognition and funding.

7. A placed-based approach

To support local small businesses, local employers must be connected with training programs so that job outcomes meet their future workforce needs. This can be achieved through ensuring there are enough local economic development agencies who are well connected with local business to link programs, qualifications, and graduates to the needs of the local business community.

Examples include The Queensland Gateway Schools to Industry traineeship program, which supports local placements of trainees with local job. However, there is no national co-ordination or support. This could be a function of JSA.

Small businesses have always played a vital role in labour adjustment training. During past economic shocks to major industries (e.g. traditional large-scale manufacturing) small businesses have helped to re-employ and re-train workers displaced by industry restructuring. Because of the fragile state of the small business sector following the COVID-19 shutdown, most businesses will not be in a financial position to contribute to this effort. Supporting small businesses as key partners in a local labour and economic adjustment strategy may be a role for JSA.

Local business people are best placed to influence their local economies. To do so effectively they need the right information and the administrative support.

Recommendation:

Incorporate in the role of JSA a mechanism to support connections between local small business communities, training organisations and economic development agencies to create local jobs.

8. Upskilling existing workers and migrants

Although skilling new entrants to the workforce is critical in supporting businesses in acquiring employees, this alone will not address the skills shortage. To this end, a strong emphasis on reskilling existing workers drives workforce productivity and restructuring.

According to the McKinsey Global Institute report, “*Jobs lost, jobs gained: Workforce transitions in a time of automation*”, roughly 14% of the global workforce may need to switch occupational categories as digitisation, automation, and advances in artificial intelligence disrupt the world of work. This highlights the critical role of independent skills training providers in reskilling existing workers.

In recognising the above, greater specificity and clarity is required in addressing who pays. Who pays should be a characteristic of who benefits. Therefore, the broad groups who should be expected to provide financial support are a combination of businesses, governments and individuals, with the proportions reflecting the degree of benefit.

This is another example where the National Workforce Development Fund (NWDF) was a successful co-contribution program for re-skilling and up-skilling workforces which resulted in substantial business contributions. The businesses had a determinative role and were able to relate particular skilling directly to their current and future business needs.

Recommendation:

Consider the challenges of upskilling existing workers and the scope of a review tasked with identifying the industries where upskilling offers the most significant opportunity to improve workforce productivity.

Australia's strong track record of welcoming skilled migrants and refugees has added to the nation's cultural diversity and economic wealth. A range of complex regulatory arrangements at both a federal and state/territory level, coupled with less than complete processes for recognising overseas qualifications and work experience, has meant that often valuable skills possessed by new arrivals are not optimised in the Australian economy.

It's time for an audit of this unlocked potential to identify how to best access the skills and experience that migrants can offer the Australian economy. Government investment can build upon their education and training where it only partially meets Australian professional or trades recognition standards.

Recommendation:

Consider a review with scope to better assess the skills and qualifications of migrants, including overseas qualification recognition and the capacity to further train those with partially recognised skills and qualifications.

9. The VET Cluster Model

The VET clusters model is understood to be a key source of advice on industry and workforce issues to inform the Skills Minister.

COSBOA supports the continuation of the VET industry cluster model through industry led skills reform. Small business industry associations should part of the strategic planning as they know best the future needs of their industry's workforce. It is crucial that they are consulted on strategy and workforce development in addition to product development, appropriate qualifications, and placements.

Recommendation:

Remove restriction on RTO participation on the new cluster organisation's governing board.

10. The role of Jobs and Skills Australia (JSA)

There is an opportunity for the JSA to co-ordinate and consolidate data, coordinate VET Skills Reform, and provide support to small business.

Central to the success of small businesses in navigating the complex skills sector should be the implementation of a new role: a Commissioner for Small Business in Jobs and Skills Australia with a "roving" brief across other aspects of JSA including apprenticeships, qualification development, and skills forecasting.

JSA should make it easier for small businesses to navigate the multiple jurisdictions of the skills environment. There are too many agencies providing similar services and programs. A potential role for the JSA could be to co-ordinate these federal and state-based programs while funding is maintained through states and territories.

COSBOA supports continued industry led skills reform through JSA where the small business sector is part of workforce development, consulted at the strategic end and on product development. Additionally, its role should include data driven forecasting where data is recognised at the state level and the federal JSA has an overview function.

Fundamentally, the JSA should provide a model of lifelong learning that incorporates the areas of foundation, trade, micro-credentials, VET, and university training as building blocks to skilling workers and improving their capabilities and competencies in moving through their careers.

Recommendation:

Create a new role – a Commissioner for Small Business within JSA.

JSA's role should include consolidation and simplification of the skills sector, data forecasting at the national level.

SUMMARY

A skilled workforce is important for Australia to innovate and stay globally competitive.

A healthy, fit-for-purpose skills sector including a strong Vocational Education and Training system is key to the growth and success of an increasing number of small businesses. Skills are delivered in many forms, whether online, on-the-job training, micro-credentials or via formal training through the VET sector. Ensuring a strong connection between industry and training institutions at the local level will lead to more appropriate workplace placements and thriving local economies.

The connection between the VET sector – both public and private – and industry experts is vital for enabling the products and courses offered to adapt quickly to the evolving needs of small businesses.

MIGRATION



**SMALL BUSINESS
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INTRODUCTION

The National Jobs and Skills Summit provides an opportunity for Australia to navigate a path to economic recovery and to put in place national policies that will be needed to stimulate economic growth, business investment and productivity. Much of what is discussed in this paper has sought to canvass the introduction of policy opportunities that will alleviate pressure on small businesses to employ workers and assist in accessing appropriate skills.

Australia has always been a nation of migrants. It's who we are and one of our most excellent qualities, but it's become problematic when many small businesses can't get the skills or the workers they need quickly enough. We encourage the government to recognise this and put more effort into the regulatory framework to get skilled and unskilled migrants back into this nation's businesses.

The skills shortage is a crucial feature of conversations with our member associations, and a sign of the urgency of the problem is the frequency with which it is discussed. Broader labour market constraints and skills shortages would be the primary issue of concern and the most prevalent challenge experienced by their small business members.

COSBOA's membership comprises industry and professional associations that believe the migration system is an area of "shared ground" where advances could be made swiftly.

The Jobs and Skills Summit is the opportunity to consult, concede and examine skilled and unskilled migration as a practical solution to address critical worker shortages.

BACKGROUND

Small businesses across various industries and sectors struggle to find skilled and unskilled staff. This prevents businesses from opening at full capacity, causing owners to spend more time working in their business than on their businesses. The drop in skilled migrants, backpackers and international students because of COVID-10 has been identified as a significant cause of this shortage, though some sectors have been experiencing shortages for longer.

Home Affairs data shows an 80% decrease in working holiday visas granted in the six months from 1 July to 31 December 2020 compared to the same period in 2019. The number of working holiday visa holders in Australia was 119,817 in December 2019 but only 39,309 in Dec20 – a decrease of 67%. When comparing the number of student visa holders in Australia in June 2020 and June 2021, there was a 32.6% decline.

The complexity of Australia's skilled migration program, including the number of Visa classes, requirements, safeguards, and pathways, is difficult for any small business to understand, even with legal assistance. The rules are so strict and confusing it is virtually impossible to do things quickly. Additionally, migration agents are an unregulated industry, and Seek is making a fortune from this mandatory testing. Sponsoring a skilled visa worker is an arduous, time-consuming, and expensive process for small businesses. There is no guarantee that the worker will remain with the business or remain interested for as long as it takes to process the visa. Small businesses would employ local skilled or unskilled Australians if they could, but given the critical worker shortages, some positions can only be filled by migrant workers.

Exacerbating the problem is that the attraction of working in Australia has been evaporated by fears of Australia's perceived hard stance on lockdowns, cost of migration to Australia and lack of permanent residence options. Skilled workers and international students are reportedly looking at other countries which are more attractive and accepting.

Universities aren't expecting student numbers to return to where there were until 2024 - only about one-third of currently enrolled international students are expected to return by February 2022. This has a flow-on effect for small businesses that rely on this sector for their workers.

PROBLEM STATEMENT

A business forced to close or limit trading hours because it cannot access the labour it requires results in the employment of fewer people and a loss to the economy. That is a lose-lose situation for both the employer and the employees. We must have a sensible, measured, and reasoned debate about migration in Australia to avoid the demonisation of foreign workers and the vital workforce they provide to our economy.

COSBOA will support policies that recognise the economic and cultural contribution of migrants to the Australian economy and are based on genuine industry needs where there is evidence of skilled and unskilled shortages. Equally, we believe we must make Australia an attractive destination for international students and backpackers.

In the face of extreme economic uncertainty, we must actively demonstrate Australia is open to the world and ensure that the policy setting is suitable to enable people into the labour market where needed. We must ask the right questions to ensure our immigration policies are fit for purpose and be bold in setting immigration that provides pathways to residency.

PROPOSED SOLUTION

To address migration, COSBOA believes there is a critical need to facilitate the return and retention of migrants who can assist in addressing Australia's skills and workforce shortages. Australia must have a multifaceted approach and strategy that includes the following elements:

1. Industry Association Engagement

As a first step, COSBOA argues that better engagement with industry associations is key to determining changes to the skills migration lists to make them fit for purpose under current conditions.

Some believe in the COSBOA membership that decisions made about the skilled migration lists have sometimes been arbitrary and that there has been insufficient consultation to understand which industries should be included. Others believe that within the current climate of acute worker shortages, should a list (at least in the short-term) exist at all?

Recommendation:

Engage industry associations to inform the skilled migration lists, as highlighted by the recommendations of the Parliamentary Migration Committee.

Recommendation:

A data-driven, industry-led approach to skilled migration lists via industry roundtables to ensure that skilled workers granted visas are matching the future workforce needs of small businesses.

1. Reduce Costs

We need to reduce the costs for small businesses and address the complexity of applications, process time, and departmental approval timelines.

A relaxation on the amount of expectation for evidence of labour testing from a small business when an industry is on the skills shortage list. Labour testing can cost small businesses as much as \$7,000 to place ads only to show the Government what skill shortages they are already aware of. This benefits only the large companies who profit from this requirement.

Case Study: Hair Salon Owner

Ms N bought a hair salon in Sydney in 2016 and has since sponsored staff. Her sales turnover grew over 20% year on year over three years. These numbers were generated for the salon via one sponsored hairdresser from France (pre-COVID).

Despite this, there is no path to permanent residency, so the recruitment and sponsorship process must begin again. Additionally, whilst it is cheaper to employ Australians, this does not necessarily mean applicants seek employment within the industry. Ms N said, "I have no Australian applying for the jobs, only overseas workers looking to be sponsored so they can settle and work in a job for more than six months."

Ms N also said this was despite spending considerable time and money on premium job ads on Seek and many other sites, including paid social media ads.

Support in the form of rebates for small businesses who offer on-the-job training to upskill their workers and encourage further training of the rest of their workforce. Importantly, incentives must include the small business owner themselves since frequently they are one of their own workforce should not be excluded if they are not employees. This support should recognise the cost and time needed to implement any in-house training.

2. Remove Barriers, Extend Visas and provide a pathway to Permanent Residency

Recognising the acute worker shortages across all industries, we must enable greater certainty and pathways to permanent residency. Australia's capacity to draw and keep top talent from overseas is hindered by the lack of a path to permanent residency for those with temporary visas.

Without avenues to permanent residency, skilled migrants may be compelled to switch between temporary visas with no security or assurance or be pushed to leave Australia and take their skills elsewhere. Skills that otherwise can assist in training Australian employees.

Furthermore, Australia's approach to pandemic restrictions and travel ban has hurt our global image, and we are losing talent to rival nations. Short-term visas, therefore, without a permanent migration pathway, make it difficult for us to recruit and keep highly mobile talent. They cause uncertainty and churn for firms that sponsor foreign nationals.

Additionally, we should temporarily remove restrictions on work hours and locations for migrants (e.g., international students, spouses, and regional vs city locations).

Recommendation:

The rules limiting visa holder's hours per week should be relaxed for two years in all sectors to alleviate the shortage of skilled and unskilled labour.

Recommendation:

Consider extending short-term stream visa holders to four years to address the skills shortage.

Recommendation:

Temporary visa holders should be provided with a pathway to permanent residency as a medium-term measure to address the skills shortage.

Recommendation:

Implement a national, standardised approach to skilled and unskilled workers moving between state borders to enable freedom of mobility for workers around the country.

3. Skills Australia Fund

The Skills Australia Fund has long been seen as a fund to which small businesses have contributed but from which they have not received any benefit. The original intention was that industries would benefit from the funds contributing to improving skills in their sector. However, this has not been evident and is a source of frustration.

The fund is viewed as simply a tax on skilled labour that, in practice, siphons money away from small businesses that could otherwise be directed at training and skilling their staff.

Recommendation:

Greater transparency around the SAF Levy, a redirection of the contributions made by small businesses to streamline regulation and reduce complexity.

4. Destination Australia

We should remember that 30% of all Australians were born abroad when considering any conversations on migration. In Australia, one or both parents were born abroad for 20% of the population. Without immigration, Australia would not have become what it is today.

Australia, however, faces competition from other advanced economies as a destination for migrants. In addition, Australia's approach to lockdowns and the previous Governments stance on not extending domestic wage subsidies to students has impacted our brand image. This stance contrasted sharply with major rival markets like the United Kingdom, Canada, and New Zealand.

Importantly we need to deliver a campaign highlighting Australia as the top destination for skilled working migrants, highlighting our robust economy, with some of the world's most liveable cities and our enticing way of life.

Recommendation:

Create a campaign to draw international students and skilled migrants to Australia.

SUMMARY

The unprecedented downturn created by COVID 19, followed by high inflation factors in tandem with record low unemployment – has created an environment of extreme economic uncertainty. In general, low unemployment is a good thing. However, with history as a measure, there are concerns that a tight labour market would lead to increased pay and further increase the cost to create things because inflation is at its fastest growth rate in more than 20 years. High inflation is often followed by strong monetary tightening, which causes the economy to contract and the unemployment rate to increase.

Despite this, there is an immediate need for workers. Migration, both temporary and permanent, is a logical by-product of globalisation, and with it, Australia is provided with an opportunity to be innovative and competitive.

Migrants are good for Australia; they assist in increasing skills, and there is a case to be made those migrants to Australia would raise the wages of low-skilled jobs and assist in lessening the impacts of income inequality.

DIGITISATION

The Digital Economy
and the Opportunities
for Small Business

INTRODUCTION

The national Jobs and Skills Summit provides an opportunity for Australia to navigate a path to economic recovery and to put in place national policies to stimulate economic growth, business investment, and ensure that our workforce is equipped with the skills it needs now and in the future.

COVID-19 has accelerated the digitisation of our economy as well as our reliance on technology in our daily lives. Small businesses subjected to lockdowns had to switch to websites, social media, and apps to engage with customers/clients and keep their businesses alive. Now digital skills are more essential than ever. This paper outlines ways to ensure that small businesses benefit from the digital economy and are not left behind.

PROBLEM STATEMENT

In an increasingly digitised world, every job requires digital skills. For small business people, there are no longer “tech” jobs or “manual” jobs; every new employee needs to start with basic digital fluency and capabilities. This should be part of the foundational skills for students emerging from any training. Without this, the small business is left to complete the training.

When planning for a digital economy, don’t start with the premise that small businesses aren’t already upskilling, learning, and expanding through digitisation. Build on the significant use, skills, and experience they’ve already implemented.

PROPOSED SOLUTION

1. Cybersecurity Solutions

Australian small businesses are excellent adopters of digital solutions. There is a recognition that implementing technology makes them more productive, efficient, and therefore more profitable. But thanks to the speed of adoption during COVID-19, many small businesses have inadvertently opened doors for cyber criminals to take advantage of them.

What has become apparent is that as small businesses adopt (and sometimes cast aside) digital solutions, they also increase risk. Small businesses need the skills to adopt cyber security processes as fast as and in parallel with the speed of their digitisation.

Small businesses are embracing digital technology to solve problems in their businesses but are unaware of or do not have the skills to understand how all of these touchpoints can be “open doors” to cyber-attacks. Small businesses need to be aware of the risks posed from the different ways they interact with digital elements of their businesses, such as where data is stored, supply chains risks with other businesses and government, software implementation and staff (human) risks.

Recommendation:

Adopt a program which encourages all small businesses to foster a culture of self-determination and capability in cyber safety.

2. Upskilling the future digitally enabled workforce

The acquisition of digital skills has been identified as crucial for small businesses in all industries to maintain and increase productivity.

However, it is important when strategically planning digital skills to incorporate the processes by which small businesses upskill and engage. These skills are often industry specific, delivered as micro credentials, and delivered flexibly, including on the job. Small business owners learn from their peers in terms of the most effective products to solve problems in their businesses. Often, they will implement digital solutions based on information from industry associations, community discussions, vendor certification of products, trusted advisors, and via software platforms they have already implemented through processes like “app stacking”.

Digital skills should form part of the foundation skills for training in all sectors. Small businesses need workers who have a baseline fluency in digital literacy as well as specialist skills for their industry.

One option is an industry-based digital skills passport which would assist the small business owner in identifying specialist skills they and their workforce will need into the future to expand and diversify their businesses. However, this needs to be useful and accessible to the small business as well as making sense in the context of their industry. This would also encourage the learning and development of their workers.

Recommendation:

Develop a skills passport which helps small businesses to navigate the VET system and support the learning and developmental needs of their workers.

What’s important to small businesses is the ability to attract and retain staff who have acquired digital skills, but they are competing with big businesses for a decreasing talent pool. International students have proven to be an important part of the workforce for small business while they are enrolled in a tertiary qualification, but after they complete their studies, they return overseas. We need policies which incentivise these students to remain in Australia through a clear pathway to residency. Not only will the small business owner who may have invested in the employee have a greater chance of retaining them, we will also retain the knowledge acquired on the job in Australia.

Recommendation:

In the case of international students, encourage through opportunities and enable pathways to permanent residency to keep the skills and knowledge in Australia.

In the small business context, skills are delivered in many forms, whether online, through on-the-job training, micro credentials, peer-to-peer learning, or via formal training through the sector. These are adaptable pathways which work in the context of a small business. Having those micro-courses recognised as part of a lifelong learning process is important not only to see the learning and development of employees continue, but also for the small business owner themselves, who in many situations are working alongside their employees in the business.

This language and process of learning must be considered when developing tools to assist small businesses to navigate the system, whether that is to upskill themselves and their workers, or to understand the qualifications a new worker arrives with.

3. Following natural business processes and pathways for advice

Australian digital policy needs to shift from a generic term and implementation of digitisation to a more industry-specific approach, recognising that the way many small businesses digitise is by finding the solution to a specific business problem.

Many start with a digital solution for their business' finances and build from there, bolting on solutions for running a business and specific solutions to solve a problem. The Australian Government has recognised that Digital Service Providers (DSPs) are a valuable partner in supporting small businesses to be more compliant. Coupled with these digital solutions are those trusted advisors like accountants, bookkeepers, and mentors to whom small businesses turn to learn, implement, and build these digital pathways.

The success of regulatory processes like Single Touch Payroll, BAS reporting, and eInvoicing rely on the DSPs, trusted advisors, and small businesses working together. It is important that legislation is designed with these three partners and the natural processes which small business follow in mind.

Software needs to be in place to grow these open application programming interfaces (APIs) with government regulation. A success has been working with digital service providers to incorporate digital Modern Awards through open APIs.

When small businesses grow their technology infrastructure it's often built on finding solutions to everyday business problems. Whilst Australians are quick to adopt technology, their hesitation in implementing new processes is often not financially based, but rather based on a concern for the amount of time it will take (potentially wasted time) to implement. It also takes time to train staff in these new systems. This is why their industry peers, and associations and trusted advisers who are familiar with their business are often the first place that small businesses go to for advice.

4. Access to fast internet

Access to internet is crucial for the delivery of digital solutions, particularly in regional communities. All businesses rely heavily on telecommunications services. Almost every business trades digitally in some way, whether it be through digital data storage, marketing to customers, payment services for customers, as part of a supply chain, managing inventory, or through payroll software. If telecommunications services are down – for example, during a natural disaster – then running a business becomes near impossible. This is why it is imperative that telecommunications be considered an essential service. There is also a need for faster, cheaper, and easy-to-navigate internet products. It is simply not fair or equitable for small businesses in regional areas to pay more for what is a necessity to run any small business.

Recommendation:

Ensure equal access to fast internet regardless of the location of a business.

Recognise telecommunications an essential service.

5. The Fit for Purpose Funding Solution

(see appendix 1&2)

We should be focussing more on lifelong learning to supplement a tertiary education system that has largely focused on providing qualifications before entering the workforce, through both VET and universities. This is important as people are living longer and their initial qualifications are becoming outdated as technologies advance.

Workforce and VET training is aligned to three separate areas of the labour market - school leavers, the unemployed, and existing workforce participants. The funding schemes behind these alignments are driven by national and state/territory governments rather than the needs of small businesses.

Small businesses transverse all parts of the VET system as trainers and trainees; they do not just engage with training products to develop a business. Nationally funded skills and education programs have primarily catered to school leavers entering the labour market to achieve a qualification and/or apprenticeship outcome. While essential, this excludes existing workforce participants who need skills to meet the needs of a changing economy.

To skill this cohort, we need a system where the payment for training is supported by a combination of businesses, governments, and individuals, with the proportions reflecting the degree of benefit. There are past programs that operated this type of co-contribution model but for various reasons, they have been discontinued. Examples include the National Workforce Development Fund (NWDF), Appendix 1, and the Industry Skills Fund (ISF) – Appendix 2 in this paper.

The National Workforce Development Fund (NWDF) and the Industry Skills Fund (ISF) were successful co-contribution programs for skilling workforces. Business contributions reflected needs. There is an opportunity now to explore the options for similar co-contribution models to enable existing workers and small business to skill up their existing workers to improve productivity and economic growth.

Recommendation:

Resurrect the NWDF or ISF as a co-contribution funding model to encourage digital upskilling in small businesses.

APPENDIX 1

NATIONAL WORKFORCE DEVELOPMENT FUND (NWDF)

Summary from the Program papers for Enterprises and RTOs

The *National Workforce Development Fund* allows eligible organisations to access funding to support training for new and existing workers in sectors where emerging skills are needed.

A co-contribution from the Enterprise supplements government funding:

1 to 99 workers (small)	67% Government / 33% Enterprise contributions
100 to 199 workers (medium)	50% Government / 50% Enterprise contributions
200 and above workers (large)	34% Government / 66% Enterprise contributions

Description of parties

The Participating Organisation manages the NWDF project between approved Enterprises and Registered Training Organisations. The Government and Enterprise contributions are made and forwarded to the RTOs at commencement, midway and completion of training.

- The Enterprises' eligible workers are trained and assessed in qualification from a National Training Package in conjunction with a nominated RTO and make a co-contribution towards the training.
- The Registered Training Organisations (RTOs) receive both the Enterprise and Government contributions to provide training and assessment in qualification from a National Training Package and award a Certificate upon successful completion.

Individual Workers Eligibility Criteria:

- Must not have previously completed the qualification they're applying for under the fund
- Must not be accessing any other source of funding, e.g. traineeships – i.e. no double dipping
- Must be an Australian citizen, a permanent resident, or a humanitarian refugee
- Must be 17 years of age or over
- Must satisfy course pre-requisites (literacy and numeracy)
- Must meet any licensing requirements for relevant qualifications
- Must be an existing worker or a new worker; including job seekers
- Must hold a pre-existing qualification at the Cert III level or above if the training is for skills set

Delivery of Training:

Training undertaken through the Fund must be for an Eligible Qualification.

- New Workers: Certs II; III; IV; Diploma; Advance Diploma; Vocational Graduate Certificate; Vocational Graduate Diploma
- Existing Workers: Certs III; IV; Diploma; Advance Diploma; Vocational Graduate Certificate; Vocational Graduate Diploma - Not Cert II
 - RTOs will deliver the required training to enterprises participating in this NWDF Project
 - All trainees approved for funding **must be enrolled by the nominated date**
 - **Training must be commenced within six months of the enrolment date**
 - All training must be completed by the nominated date

APPENDIX 2

Industry Skills Fund (ISF)

Summary from the Program papers

The Industry Skills Fund will provide up to 200,000 training places and support services over four years. The training grant assists business with the cost of skills training.

Co-contribution

Businesses must co-contribute the following percentage of the total training costs in cash (page 6 Customer Info Guide):

Micro Business	0 – 4 FTE employees	25%
Small Business	5 – 19 FTE employees	34%
Med Business	20 – 199 FTE employees	50%
Large Business	200+ FTE employees	75%

Grants can be applied for by the individual business or through a consortium. Individual businesses or consortia will be able to apply for the [Industry Skills Fund – Growth Stream](#), providing up to 200 000 training plans and support services over 4 years.

Training Grant

The Training Grant helps you with the cost of training, including nationally recognised training, including full qualifications and skill sets;

- training that is accredited through state and territory systems, including Language, Literacy and Numeracy training;
- training that is identifiable, transferrable by a learner and builds the capability of a learner;
- high quality, innovative or tailored training that may not yet be part of a training package or accredited course. This can include different combinations of training modules to form new skill sets and training tailored to meet specific business needs; and
- training required to navigate export barriers and/or access foreign markets.

The training grant only covers costs directly attributed to the delivery of the training (page 6 Customer Info Guide) The definition of training in the glossary of the guide is:

Both accredited and non-accredited training, including skill sets, skills analysis and gap training as well as full qualifications that will assist businesses to diversify and improve their productivity and competitiveness in a global market.

And training development is defined as:

The development of innovative training solutions that are not currently funded by the national training system.

Consortia will be expected to have undertaken economic analysis and workforce development before approaching the Fund for assistance. If this has not occurred, the lead member of the consortium will be expected to undertake this work before an application can be progressed. (p. 10 Customer Information Guide)

The industry skills fund has criteria ranked against a merit system with evidentiary requirements.

