

# People powering productivity

Putting the workplace at the heart of  
Australia's skills and training system

AUGUST 2025



# Introduction

A skilled, agile and productive workforce aligned to employer needs is critical for Australia's productivity uplift. Workforce skills and capabilities enable the innovation, competitiveness and business investment that will underpin our quality of life for decades to come.

The identification of skills as an area of focus for the upcoming Economic Reform Roundtable is important. However, skills development in and of itself is not a magic solution for lifting productivity. Over recent decades, levels of formal post-school education have increased notably, at a time when productivity could best be described as anaemic.

Australian Industry Group, through its dedicated Centre for Education and Training, has a longstanding focus on driving productivity through skills and workforce development. The Centre's evidence-based and industry-informed research and advice has focussed heavily on topics such as creating a connected and coherent tertiary system, strengthening work-integrated learning, building foundation skills and developing degree apprenticeships.

Important progress has been made. Significant reform has been progressed across Australia's post-school education and training system in recent years, underpinned by substantial investment. We must continue on this path, with a sharp focus on aligning policy and investment settings with the importance of productivity as a national priority.

The connection between education and training and the workplace is essential to drive productivity. Governments, industry and individuals themselves all have a role to play in sharing in the costs and the benefits of this skills development and lifelong learning.

This paper calls for skills and workforce policy in Australia to shift towards a more economic focus that drives productivity by more closely connecting education and training with the workplace. Six key actions can drive this agenda forward, in consultation with industry:

1. Maintain progress towards the bold ambition of a connected and coherent tertiary system by **converting the principle of tertiary harmonisation into widespread practice** through system governance that embeds a clear role for industry, funding, regulation and compatibility between skills and knowledge frameworks.
2. Design and implement **a new Australian Government initiative focused on driving productivity uplift at the firm level** through skills and capability development.
3. Review specific federal and state policy settings and overall system complexity that may be constraining **employer investment in productivity-enhancing skills development**.
4. Encourage **a culture of lifelong learning** through the National Skills Passport and National Skills Taxonomy, tax deductibility of self-education expenses, a comprehensive national policy framework for lifelong learning and reforming Recognition of Prior Learning (RPL).
5. Proactively **encourage and enable strengthened connections between the tertiary education system and industry and employers** through policy, system and investment settings, with a focus on facilitating enhanced work-integrated learning and ensuring funding settings enable flexibility in training delivery within workplace contexts.
6. Strengthen **the role of the apprenticeships system in delivering upon current and future skills needs**, including through employer incentives to support commencements and increasing the availability and uptake of degree apprenticeships.

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# Australia's skills challenge

## Australia's modern economy is demanding more and different skills

A range of complex drivers including technology, the green transition, geoeconomic fragmentation, economic uncertainty and demographic shifts are impacting the workforce globally and in Australia. According to the World Economic Forum, around two in five jobs (39 per cent) are expected to be fundamentally changed between 2025 and 2030.<sup>1</sup>

In the Australian context, the scale of the upskilling and reskilling challenge is significant, with around 7 in 10 Australians working today likely to require upskilling and/or reskilling in the five years to 2030. This is higher than the global figure of around 6 in 10.

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Australia is largely aligned with global peer countries on the most sought-after core skills and the fastest growing skills, with many of the skills increasingly used being those that underpin digital transformation.<sup>2</sup> This includes digital skills at both technical and foundational levels, along with a broad range of core skills such as analytical thinking, leadership, and adaptability. Many of the skills identified as most important are the skills that underpin adaptive capacity, that is, preparing people and workplaces to respond flexibly and creatively to changing circumstances.

And as we move into the future, there is a strong trend towards higher-skilled occupations. More than 90% of all new jobs are expected to require post-secondary education over the next ten years.<sup>3</sup> This places even more pressure on developing the right levels of skills and capabilities as the volume of graduates is increased.

In our modern and dynamic labour market, we need mindsets and a broader culture that values and encourages ongoing learning to enable the skills of individuals to continually develop and adapt. Building Australia's human capital through lifelong learning can be a critical source of productivity growth and competitive advantage, along with positioning us to successfully harness global opportunities and respond to economic change.<sup>4</sup>

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<sup>1</sup> World Economic Forum (2025), *Future of Jobs Report 2025*, Geneva

<sup>2</sup> *ibid*

<sup>3</sup> Jobs and Skills Australia (2024), *Better Together: The Jobs and Skills Report 2024*

<sup>4</sup> Australian Industry Group Centre for Education and Training (2024), *Australia's Opportunity: A Skills and Productivity Agenda*

## Skills and workforce shortages are a brake on productivity

When Australian business owners are asked to identify the biggest challenges they are currently facing, accessing suitably skilled staff will invariably be near the top of the list.

In recent years, skills and workforce shortages have been widespread across the Australian economy, alongside a historically tight labour market. The productivity impacts of skills and workforce shortages at the firm-level are many and varied. Examples commonly raised by Australian Industry Group members include:

- **Reducing operating hours or production volumes** out of necessity when the workforce is not available to sustain previous or optimal operating models.
- **An inability to expand, access new markets or accept new customers** due to being unable to access the staff to deliver new or increased products or services.
- Operating the business with **less-than-optimal efficiency** due to designing the operating model around the skills that can be accessed rather than the most efficient skills mix.
- Reduced investment of time and resources **in research and development and business improvement** due being unable to deploy staff away from day-to-day operations.
- **Reductions in the number of apprentices that are employed** because of a lack of skilled workers to oversee their training, which ultimately exacerbates longer-term shortages.

While these impacts vary, they often lead to increased business costs, either immediately or in the longer-term - impacting the bottom line in an already challenging and costly operating environment. It also impacts all Australians given the resulting impact on customer pricing.

The productivity impacts stem from shortages across all skill levels, from foundational through to specialist and highly technical. A focus on foundation skills is important, given almost 9 in 10 employers are affected by low levels of literacy and numeracy directly related to a range of workplace productivity measures.<sup>5</sup>

Recent research by Australian Industry Group<sup>6</sup> highlighted that in 2024, 112 occupational categories were in national shortage, affecting a diverse range of occupations. The impacts are particularly felt amongst two clusters of industries – industrial sectors, which face shortages of technical, trade and engineering roles and the ‘care economy’ sectors of education and healthcare and social assistance, which face shortages of qualified workers. Of note is that these two parts of the economy are also delivering the worst labour productivity outcomes.<sup>7</sup>

Jobs and Skills Australia<sup>8</sup> identifies that between 2022 and 2024 the proportion of employers reporting difficulty recruiting for Technicians and Trades Workers that had a negative impact on business productivity or revenue was higher than for any other occupation group.

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**The productivity impacts of skills and workforce shortages at the firm-level are many and varied – often leading to increased costs for the business**

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<sup>5</sup> Australian Industry Group Centre for Education and Training (2024), *Counting the cost: Addressing the impact of low levels of literacy and numeracy in the workplace*

<sup>6</sup> Wilson, J (2025), *The productivity burdens of Australia’s dysfunctional labour market*, Australian Industry Group

<sup>7</sup> *ibid*

<sup>8</sup> Jobs and Skills Australia, *How recruitment challenges affect businesses*, 26 June 2025, p.6

## Skills and capability uplift underpins many other enablers of productivity

Skills and capability development underpins a broad range of productivity enablers, including the greater leveraging of technology, productivity in the care and education sectors, the net zero transition and supporting enterprises to move up value chains. There is evidence that workforce capability is holding back productivity enhancements in a range of areas. For example:

- Australian Industry Group research in 2024 on technology adoption within Australian firms<sup>9</sup> identified **workforce capability as the most significant barrier to greater adoption of technology**, reported by over half of businesses (54%).
- The 2024 Skills and Workforce Survey undertaken by the Australian Industry Group Centre for Education and Training<sup>10</sup> found that the top three **barriers holding businesses back from doing more with artificial intelligence** were all underpinned by skills gaps within businesses at both operational and leadership levels.
- Numerous Australian Industry Group member businesses report that a **lack of foundational-level skills, like language, literacy, numeracy and digital literacy (LLND)**, is inhibiting the introduction or effective utilisation of productivity-enhancing technology.

Many of the skills and capabilities that underpin productivity enhancements at the firm-level are horizontal skills that cut across a range of industries rather than focussed on a specific industry and occupational sector. Examples include, but are not limited to, skills in digital technologies, leadership and management, project management, process improvement and data analytics. At times, the most appropriate pathways for developing these skills will sit outside of traditional VET or higher education pathways.

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**Many of the skills required to underpin productivity enhancements are cross-cutting rather than specific to the individual industries or occupations**

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As a general rule, governments have made modest investments into skills development in these cross-cutting areas, particularly where an individual is already in the workforce. Where investment has occurred, it has generally been through an institutional delivery pathway. Given the clear connection between skills development of this nature and productivity, there is clear public benefit associated with it, in addition to benefits at the firm-level and for the individual.

A particular focus is needed on building management and leadership skills, from team leaders and middle management through to executive leaders. Management practices have a measurable impact on labour productivity, sales and the number of employees in firms<sup>11</sup>, yet Australia ranks poorly in this area globally<sup>12</sup>. Australian Industry Group has been advocating for enhanced focus on building Australia's management and leadership capability for many years.<sup>13</sup>

<sup>9</sup> Australian Industry Group (2024), *Technology Adoption in Australian Industry: commercial, workforce and regulatory drivers*

<sup>10</sup> Australian Industry Group Centre for Education and Training (2024), *Listening to Australian businesses on workforce and skills: Skills in demand, Skills and workforce survey*

<sup>11</sup> *Management matters in Australia: just how productive are we?: findings from the Australian Management Practices and Productivity global benchmarking project*, Department of Innovation, Industry, Science and Research, Canberra, 2009

<sup>12</sup> International Institute for Management Development (2025), *World Competitiveness Ranking 2025: Australia*, available <https://www.imd.org/entity-profile/australia-wcr/>

<sup>13</sup> Australian Industry Group (2015), *Addressing Enterprise Leadership in Australia*

# Driving productivity through skills development

In recent years the Australian and state and territory governments have progressed extensive reform and invested significantly across the post-school education and training system. Through the National Skills Agreement, the Universities Accord and its implementation, the creation of Jobs and Skills Australia, Jobs and Skills Councils, progress towards the Australian Tertiary Education Commission and more, the scale of meaningful reform has been substantial.

Australian Industry Group has been a strong and vocal advocate for many of these reform directions. A solid foundation is in place for Australia's post-school education and training system to deliver upon a broad range of social and economic objectives that are essential to Australia's future – including the productivity uplift that is so desperately needed.

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**The focus now must be on continuing on the path towards the bold ambition for a connected and coherent tertiary education system**

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The focus now must be on continuing on the path towards the bold ambition for a connected and coherent tertiary education system, as set out in the National Skills Agreement, Universities Accord and Jobs and Skills Australia Tertiary Harmonisation Roadmap, to ensure the full benefits for Australians and the economy more broadly are realised.

To also drive productivity, the reforms must have at their heart a closer connection between education and training and the workplace, which in turn will create economic imperatives that can boost productivity.

Skills development sits at the nexus of social and economic policy. On the one hand, skills development drives a broad range of important social objectives through providing pathways into the workforce, improved incomes and living standards and broader social benefits. At the same time, skills development is a critical component of Australia's productivity and competitiveness, as has been outlined already.

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**Reforms must have at their heart a closer connection between education and training and the workplace**

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Australian Industry Group has observed that the direction of recent reforms have, on balance, been focused on the social policy priorities associated with skills development. For example, initiatives such as Free TAFE are focused on enabling widespread access to skills development through institutional training pathways, including by removing financial barriers that may inhibit access for some students. This is an important part of the overall system, however it is timely to ask whether the current balance is optimal, particularly in the context of sustained low levels of unemployment in recent years.

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**Economic objectives, especially lifting productivity, must be a fundamental design feature embedded into relevant programs and investment settings in specific rather than broad aspirational terms**

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Given the critical importance of lifting productivity to Australia's economic future, there is a need to shift the balance in skills and workforce policy in Australia towards a more economic focus that more closely connects education and training with the workplace. Economic objectives, especially lifting productivity, must be a fundamental design feature embedded into relevant programs and investment settings, in specific rather than broad aspirational terms.

The need for greater priority on economic objectives within this system by government does not mean that government alone is responsible. Government, industry and individuals themselves all have an important role to play in sharing in the costs and the benefits of skills development and lifelong learning.

The remainder of this paper sets out six key ways through which this priority can be taken forward to support Australia's productivity uplift.

## Achieving a connected and coherent tertiary system

For many years the nation's human capital has been held back by the divide between vocational and higher education. Each of these sectors has unique strengths and both are critically important to the skills that Australia needs in future; not in isolation but as a cohesive system working in partnership with industry. However, numerous structural barriers to connections between the systems remain.

Employers remain hindered in their efforts to navigate the system. Efforts to combine skills-based and knowledge-based learning means ad hoc 'work arounds' and dealing with multiple providers who do not speak each other's language. Removing these barriers to tertiary collaboration has been described as akin to cutting red tape that gets in the way of productivity. It would create a 'twofold boost' by both improving the productivity of the tertiary sector itself and also enable our workforce skills to move towards the optimal requirements of industry.<sup>14</sup>

Tertiary harmonisation needs to be underpinned by modernised and flexible system architecture that gives appropriate weight to knowledge, skills, and their application, and enables lifelong learning. Building co-operative cultures between the two sectors is a necessary pre-requisite for this to occur. While maintaining the skills and knowledge framework strengths of both sectors, the system architecture should seek to establish skills and knowledge compatibility to better serve the mix of skills and knowledge needed in workplaces. A critical reform is raising the status of skills relative to knowledge in the Australian Qualifications Framework - included as a key step in harmonisation by Jobs and Skills Australia.

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**For skills and capability development to effectively support productivity, strong engagement between employers and education providers must be at the heart of the system**

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For skills and capability development to effectively support productivity, strong engagement between employers and education providers must be at the heart of the design and implementation of system reform. How reforms and new initiatives are connected to industry will be critical to the way they translate into improved productivity.

### Priority action 1

Maintain progress towards the bold ambition of a connected and coherent tertiary system by **converting the principle of tertiary harmonisation into widespread practice** through system governance that embeds a clear role for industry, funding, regulation and compatibility between skills and knowledge frameworks..

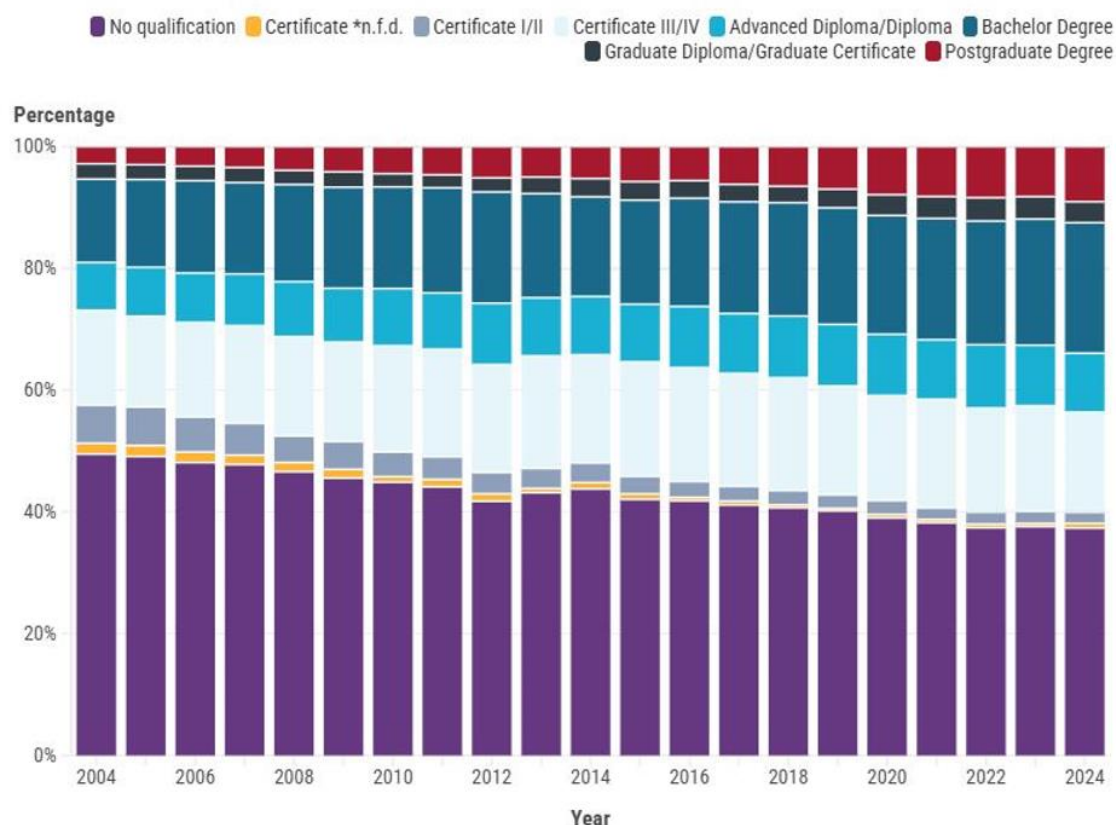
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<sup>14</sup> Dawkins, P., Lilly, M., & Glover, B. (2025), *Reforming tertiary education to achieve a 'twofold boost' to productivity*,

## Better connecting education and training to the workplace to drive productivity

Skills development in and of itself does not improve productivity. Over recent decades, education levels across the working age population have increased notably in Australia. Yet, productivity growth over a similar period could at best be described as anaemic.

**Figure 1: Share of Australian working-age population by highest qualification level (2004-24)**



Source: ABS Education and Work Series (\*n.f.d. = not further defined)

**The connection between education and training and application in the workplace is a critical component of realising productivity benefits**

The workplace is an important site for successful, context-driven learning. While skills development is a critical measure that contributes to enhancing productivity, it is the connection between education and training and application in the workplace that underpins the realisation of productivity benefits at the firm-level, and by extension for the economy more broadly.<sup>15</sup>

<sup>15</sup> See for example: Committee for Economic Development of Australia (2024), *Learning Curve: Why Australia needs a training boost*, and Osborne, K., Ackehurst, M., Chan, L. & Polvere, R-A (2020), *Work-based education in VET*, National Centre for Vocational Education Research

Australian Industry Group has observed that over the last decade, the focus on workplace training in education and training policy settings and associated funding arrangements in Australia has diminished. Reforms in recent years have generally focussed on uplifting institutional-based delivery, which has potentially occurred at the expense of workplace delivery models.

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**Over the last decade, the focus on workplace training in education and training policy settings and funding arrangements has diminished**

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Governments across Australia currently invest significantly in various forms of training that directly link to various known enablers of productivity through the Vocational Education and Training (VET) system. For example, almost 20,000 people enrolled in government-funded Leadership and Management VET qualifications in the year to September 2024.<sup>16</sup> However, this is often focussed on delivery in an institutional context, disconnected from the workplace.

There are numerous examples of previous programs that have supported workplace training, including with a direct focus on productivity-enhancing training, that no longer exist. The absence of such programs is stark when productivity has been identified as a national priority.

Previous initiatives that Australian Industry Group considers to have been successful that could form the basis of design principles for new initiatives in this area include:

- The Industry Skills Fund, which existed from around 2015 to 2016, combined co-funding for employers to provide workplace training linked to growth opportunities with tailored advice to select the most appropriate training for the specific business need. The program was part of the *Industry Innovation and Competitiveness Agenda*, demonstrating a valuable link between industry development and workforce development priorities at that time. An independent evaluation described the program as ‘well-designed’, ‘consistent with best practice approaches’ and ‘highly valued by all stakeholders’.<sup>17</sup> The OECD stated that survey results on whether employers would have funded training in the absence of funding indicated the program had low deadweight losses.<sup>18</sup>
- The National Workforce Development Fund, which existed from around 2012 to 2014, assisted individual businesses and industry sectors in Australia to increase their workforce capacity by providing formal training to employers, existing workers and new workers in areas of identified business and workforce development need, improving their competitiveness and productivity. The cost of training was shared between the employer and the Australian Government through a tiered co-contribution model.<sup>19</sup>
- The Workplace English Literacy and Language (WELL) program embedded language, literacy and numeracy (LLN) skills into workplace contexts and alongside other workplace-relevant competences. Its closure in 2014 created a vacuum for working Australians who lack the LLN skills to function competently and productively in their

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<sup>16</sup> NCVET 2025, Government-funded students and courses - January to September 2024: program enrolments DataBuilder

<sup>17</sup> ACIL Allen Consulting (2017), *Industry Skills Fund and the youth stream pilot programs*, Independent Evaluation, Final Report, Department of Education and Training, Canberra

<sup>18</sup> OECD (2019), *Financial Incentives to Promote Adult Learning in Australia*, Getting Skills Right, OECD Publishing, Paris

<sup>19</sup> Shah, C. (2017), *Analysis of National Development Fund training in the transport and logistics industry*, available <https://www.voced.edu.au/content/ngv%3A77394>

jobs.<sup>20</sup> While the Skills for Education and Employment (SEE) program has recently been expanded to enable some workplace-delivery, the scale and success of this expansion cannot yet be fully determined and formative evaluation should be prioritised.<sup>21</sup>

- The Skilling Australia's Defence Industry Program supported defence sector SMEs to upskill and retrain staff and establish practices and training plans to embed lifelong learning in their businesses. The use of industry associations as a conduit between education and training providers and individual companies created economies of scale in training needs and ensured training was highly industry-relevant. Australian Industry Group considers this model has broader potential application in other sectors.

There are a number of common elements across previous successful initiatives that Australian Industry Group considers to be design principles for future initiatives in this area. These include:

- Strong industry involvement in design and implementation, including through partnering with industry peak bodies to act as an intermediary between the skills and workforce needs of businesses and government initiatives. While this can be important for businesses of all sizes, it is particularly pertinent for small and medium sized businesses.
- A focus on firm-level productivity and business improvement as a primary objective, on the basis that this collectively leads to broader industry and economy-wide benefits.
- The ability for businesses, particularly small and medium sized businesses, to access independent, trusted and industry-relevant advice to design an effective skills and capability uplift solution. This can provide the business with confidence in their skills development needs, and the type of training that can most effectively address these needs, when engaging with the training marketplace.
- The ability for businesses to access training that is tailored to the specific needs of their business and/or employees, including through flexible and workplace-based delivery. This may not necessarily be full qualifications, particularly when the employees undertaking training already have prior qualifications. In some cases, the most appropriate training may be non-accredited, provided robust quality criteria are in place.
- Co-investment between government and industry, where skills development initiatives are intended to lead to both firm-level and broader economy-wide benefits.

## Priority action 2

In consultation with industry, **design and implement a new Australian Government initiative focused on driving productivity uplift at the firm level** through skills and capability development.

This new initiative should be underpinned by the design principles set out above, and draw learnings from previous similar initiatives, including those identified above.

<sup>20</sup> *Workplace Literacy in Australia*, A Joint Position Statement, 2018, available <https://ala.asn.au/wp-content/uploads/2018/08/Workplace-literacy-joint-position-statement.pdf>

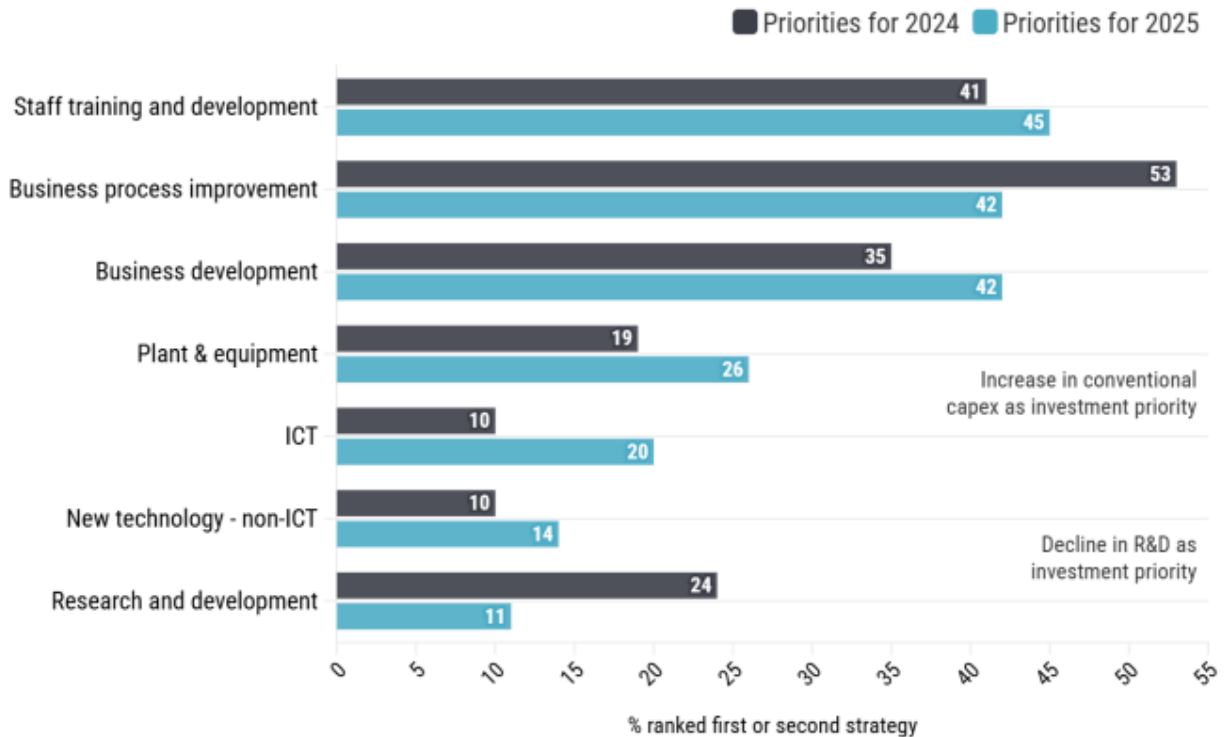
<sup>21</sup> Australian Industry Group Centre for Education and Training (2024), *Counting the cost: Addressing the impact of low levels of literacy and numeracy in the workplace*

## Enable industry and employers to develop workforce skills

Industry and employers are committed to developing the skills of their workforce.

Australian Industry Group's Australian Industry Outlook for 2025 found staff training top of the investment priority list.<sup>22</sup> 42% of businesses reported planning to maintain their investment and 40% reported planning to increase their investment in staff training. In 2024, staff training and development was the second highest priority.

**Figure 2: Major Investment Priorities, 2024 and 2025**



Source: Australian Industry Group Australian Industry Outlook 2025

Similar results have also emerged from other surveys administered by Australian Industry Group. The 2024 Skills and Workforce Survey found that 91% of businesses plan to maintain or increase expenditure on training and development in the next twelve months.<sup>23</sup>

Employers have a long history of investing in skills development for their employees. Much of this investment takes places independently of any government program or funding. It is important that this proactive investment in skills development, particularly where it is focussed on productivity-enhancements, is encouraged and enabled by government.

Australian Industry Group consistently hears from businesses that economic conditions and pressures on costs and margins can constrain the provision of work-related training. For many, their necessary time and spend associated with compliance-related training to meet laws and regulations can be large and must be undertaken as a priority. This can put a squeeze on rolling-out broader work-related training. The increase compliance-focussed training over time for many firms has been identified as a barrier to broader investment in training.

<sup>22</sup> Australian Industry Group (2025), *Australian Industry Outlook for 2025*, Ai Group Industry Leaders Survey

<sup>23</sup> Australian Industry Group Centre for Education and Training (2024), *Listening to Australian businesses on workforce and skills: Skills in demand*, Skills and workforce survey

This phenomenon is not unique to Australia. The OECD<sup>24</sup> reports that despite growing consensus on the importance of lifelong learning, participation in adult education is stagnating or declining in many countries. Where adult training is delivered it is often compliance or safety driven and of short duration, rather than aligned to broader upskilling or reskilling objectives.

Compliance-related training serves an important function. However, careful consideration is needed on the collective weight of compliance-related training now being undertaken by employers and employees and the potential impacts this may be having on the provision and uptake of other forms of work-based training.

The tax system can also create barriers to employer investment in training. For example, issues related to Fringe Benefits Tax are inhibiting increased take up of degree apprenticeships in Australia.<sup>25</sup> Careful consideration is needed to identify and resolve instances where the tax system is creating unreasonable barriers to employer investment in skills.

**There are instances where Fringe Benefits Tax liabilities are creating unreasonable barriers to employer investment in training**

Another example of the contraction of work-based training in Australia is the reduction of the number of Enterprise-based Registered Training Organisations (ERTOs) in recent years. Australian Industry Group has heard businesses discuss the pressures of overwhelming RTO compliance and financial costs, with businesses making the decision not to seek initial registration for these reasons or ceasing their ERTO operations. This another potential constraint on work-related training that requires careful consideration.

Employers also report that the overall complexity of the education and training system is a barrier to their engagement. While training package architecture, regulation of training standards, along with some policy and program delivery is national, states and territories also have responsibility for their respective systems. The result of this very complex mix is a lack of national consistency that frustrates and creates additional complexity for employers, especially those operating nationally or across multiple jurisdictions. State-based differences can be an impediment to labour mobility and productivity.

## Priority action 3

In consultation with industry, **review specific policy settings and overall system complexity that may be constraining employer investment in productivity-enhancing skills development.** This includes, but should not necessarily be limited to:

- Fringe Benefits Tax liabilities on employer-supported training
- The collective impact of compliance-related training requirements that are directly or indirectly imposed by legislation and regulation.
- The viability of Enterprise-based Registered Training Organisations.

This review should consider skills policy settings at both the federal and state and territory levels, in recognition of the impacts of overall system complexity on employers.

<sup>24</sup> OECD (2025), *Trends in Adult Learning: New Data from the 2023 Survey of Adult Skills*, Getting Skills Right, Paris

<sup>25</sup> Australian Industry Group Centre for Education and Training (2025), *Apprenticeships and traineeships: the employer perspective*

## Ensuring policy and system settings actively encourage a culture of lifelong learning

In a complex and ever-changing economic environment, a focus on lifelong learning across Australia's workforce and community can be a critical source of productivity and competitive advantage. This requires a mindset and culture that values and encourages continual learning across individuals, employers, industry, community and governments.<sup>26</sup>

A lifelong learning mindset and culture need to be underpinned by system architecture that enables individuals to easily navigate the tertiary education system and clearly demonstrate their skills and capabilities to employers. A National Skills Taxonomy will assist with the identification of skills, and a National Skills Passport system will allow employers to ascertain the skills and qualifications of potential employees. It is important that work already underway in these areas is progressed through to successful implementation.

A broad range of government policy settings need to encourage and enable lifelong learning, recognising that the days of an individual undertaking a single qualification upon entry to the labour market with limited further training thereafter are over. The education and training system needs to support individuals to access the broad range of skills development that may be needed in a flexible manner, including short forms of training such as micro-credentials. A focus is also required on ensuring that the population as a whole is equipped with the foundation skills necessary to successfully undertake and complete the skills development needed.

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**Policy settings need to reflect that the days of an individual undertaking a single qualification upon entry to the labour market with limited further training are over**

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A focus on the importance of lifelong learning is also relevant to other policy areas such as the tax system. For example, Australians can claim a tax deduction for self-education expenses under certain circumstances, including if it either maintains or improves the specific skills or knowledge required for current employment activities; or results in, or is likely to result in, an increase in income from current employment activities. A deduction is not allowable for self-education expenses if the subject of self-education is designed to get employment, to obtain new employment or to open up a new income-earning activity.<sup>27</sup>

In context of a rapidly changing labour market and the productivity gains that can be generated from labour market mobility, it is timely to consider the merits or otherwise of limiting the self-education tax deduction to an individual's current employment only. These are complex issues that require detailed consideration. However, it is noted that in the Australian context a recommendation was made by the OECD in 2019 to allow the tax deduction for self-education expenses to be used towards training that is not directly related to one's current employment, while excluding training for leisure or personal interest purposes.<sup>28</sup>

Over the last 30 years, the share of the population claiming a deduction for self-education expenses has barely shifted, despite significant broader labour market change. By value, self-

<sup>26</sup> Jobs Queensland (2020), *Lifelong learning: The foundation of future work*

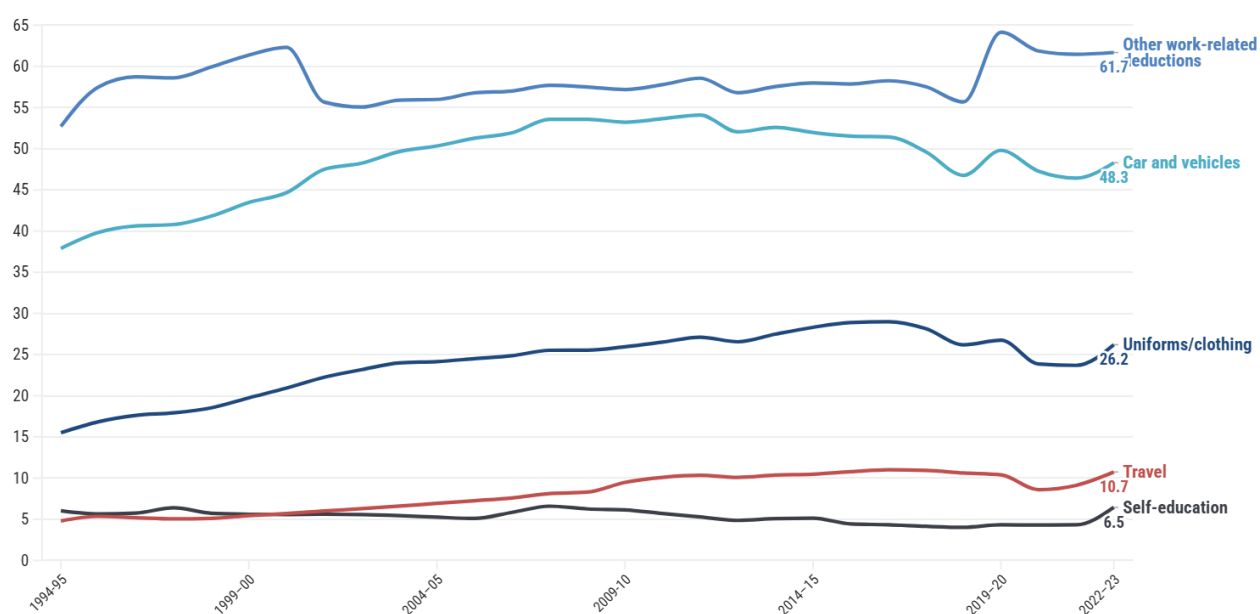
<sup>27</sup> Australian Taxation Office (2025), *Self-education expenses*, available <https://www.ato.gov.au/individuals-and-families/income-deductions-offsets-and-records/deductions-you-can-claim/education-training-and-seminars/self-education-expenses>

<sup>28</sup> OECD (2019), *Financial Incentives to Promote Adult Learning in Australia*, Getting Skills Right, OECD Publishing, Paris

education deductions have grown at an average rate of 4.8% per annum over the last three decades. It is the slowest growing of all work-related deductions, which as a group have grown by an average of 5.8% per annum. The relativity with other forms of tax deductions is also stark. For example, self-education is the least claimed form of work-related deduction – an individual is four times more likely to claim a deduction for uniforms and clothing than for self-education.

The self-education tax deduction is one of numerous mechanisms through which individuals can access support from government for skills development. However, it raises the question of whether, in context of the importance of lifelong learning and building the skills of our workforce, this flatlining in rates of self-education is reflective of our priorities as a nation.

**Figure 3: Share (%) of workforce making work-related income tax deduction claims, Australia, 1994-95 to 2022-23**



Source: ATO Taxation Statistics, ABS Labour Account

An effective culture of lifelong learning is also enabled by high quality and accessible career information and advice. This includes in a school context for young people but also across the population more broadly. Noting that funding for the National Careers Institute has recently been discontinued, it is essential that the Australian Government establish a clear and robust policy framework on these issues, including through consultation with industry.

**Better ways of facilitating Recognition of Prior Learning (RPL) will help more people engage with lifelong learning**

Better ways of facilitating Recognition of Prior Learning (RPL) will help more people engage with lifelong learning. As workers change jobs or move into new and emerging job roles, they need skills recognised and translated across to new occupations and new qualifications. RPL does not currently function well. Students report they find it too costly and too time-consuming. For training providers, RPL is often poorly funded, and concerns about compliance lead them to be very cautious in what they recognise. Quality RPL tools, freely available to all RTOs, and supported by suitable case studies will assist with a higher and more effective level of RPL provision.

Reforming the RPL process would build upon the recent commitment to establish the *Advanced Entry Trades Training program*, to drive system-wide reform to improve access to and uptake of RPL across all industries.

## Priority action 4

Encourage a **culture of lifelong learning** in Australia through:

- Continued implementation of the **National Skills Passport and National Skills Taxonomy**
- Considering the appropriateness of current policy settings for the tax deductibility of **self-education expenses**
- Establishing a **comprehensive policy for lifelong learning** at the national level, that recognises the importance of career advice for Australians of all ages and foundational language, literacy, numeracy and digital skills to successful lifelong learning.
- Reforming the **Recognition of Prior Learning (RPL)** process to better enable people already in the workforce with relevant skills to engage in lifelong learning.

## Strengthening the integration of learning and work

Through its members, Australian Industry Group sees many quality and innovative pockets of work-integrated learning (WIL) where formal education and training is augmented in the workplace over time. However, more needs to be done to strengthen engagement and partnerships between our education and training system and industry. Links between the education and training system and industry are under-developed by international standards. For example, one recent study focussed on Southeast Queensland ranked industry-academia collaboration last in terms of performance against various competitiveness metrics being compared against global peer regions.<sup>29</sup>

WIL is the key to linking learning with constantly changing industry strategies and practices, technical and generic skill needs, driving quicker graduate integration into roles and enhanced productivity. Governments have an important role to play in enabling and facilitating enhanced WIL.<sup>30</sup> This can include through brokerage opportunities to upscale work-integrated learning, building on the experience of industry-led approaches like the Defence Industry Connection Program that is currently operating successfully in South Australia.<sup>31</sup> The 2023 renewed National WIL Strategy developed jointly by industry bodies, including Australian Industry Group, provides the framework to implement these approaches under a national WIL infrastructure.

One key enabler of WIL is flexibility from education and training providers to align skills development with the workplace context. Many employers seeking to provide broad upskilling programs to their workforce need training to be done onsite and at hours that align with operational requirements. Australian Industry Group members consistently report that, in a VET context, this type of flexibility is more likely to be provided by private training providers. Feedback has been received that recent initiatives directing funding towards public providers and changes to state and territory funding has adversely impacted the ability of some employers to access workplace-tailored training for their workforce.

Funding mechanisms that encourage flexible delivery of training, including onsite at workplaces and outside of normal working hours, would help encourage all training providers, both public and private, to develop programs that better meet the needs of employers. Australian Industry Group has also been consistent in its advocacy to governments that support and incentives are needed for smaller companies to engage in WIL. This has been acknowledged and picked up by some specific state government programs under which a payment is made to companies involved. It should be applied more broadly.

### Priority action 5

**Proactively encourage and enable strengthened connections between the tertiary education system and industry and employers** through policy, system and investment settings, with a focus on enabling and facilitating enhanced work-integrated learning and ensuring funding settings enable flexibility in training delivery within workplace contexts.

<sup>29</sup> Moonen, T., McVeigh, P., Gille, B. & Rawitsch, E. (2025), *Benchmarking South East Queensland: in a global context*, The Business of Cities

<sup>30</sup> Australian Industry Group Centre for Education and Training (2024), *Connecting to maximise knowledge and skills Companies and universities working together*, Position Paper

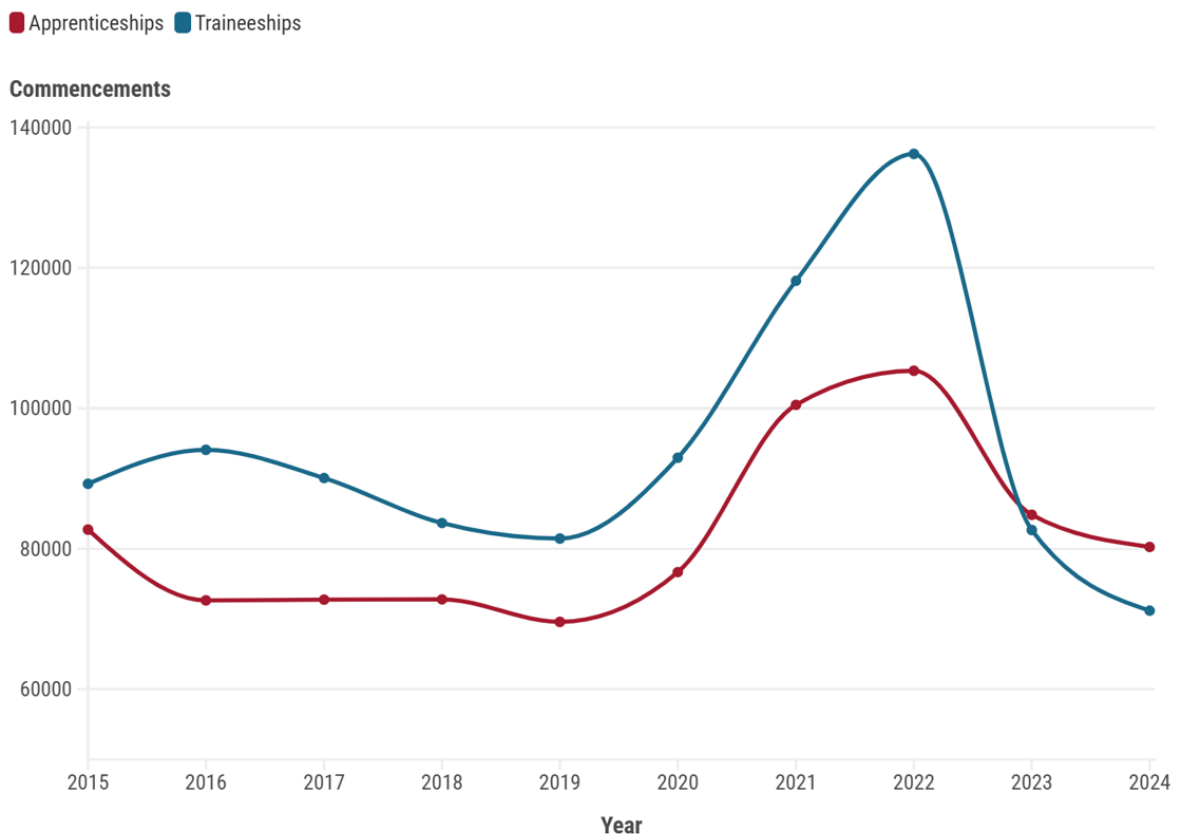
<sup>31</sup> South Australian Defence Industry Connection Program available <https://defencescholarships.aigroup.com.au/>

## Driving an uplift in apprenticeships and traineeships to meet current and future skills needs

Australia's apprenticeship and traineeship system plays a critical role in addressing skills and workforce shortages and enabling productivity growth. Apprenticeships and traineeships are the primary skills pathway to many skilled Technicians and Trades Worker occupations currently in shortage.

In June 2025, Australian Industry Group's Centre for Education and Training released landmark research on the employer experience of Australia's apprenticeship and traineeship system.<sup>32</sup> It found that to meet current and future skills needs, Australia needs an urgent and sustained step change in the numbers of apprentices and trainees commencing and completing. Yet, in recent years, apprentice and trainee commencements appear to be reverting to pre-pandemic trends.

**Figure 4: Apprentice and Trainee Commencements, 12 months ending December (2015-2024)**



Source: NCVER VOCSTATS 2025, Apprentices and trainees – December 2024

The deep connection between training and the workplace is at the heart of the success of the apprenticeship model. Employers support and value the apprenticeship system and invest significantly in the direct and indirect costs of employing apprentices and trainees. Despite this, employers report that the cost and complexity of employing apprentices and trainees is increasing, and employers report their satisfaction with the system is decreasing.

<sup>32</sup> Australian Industry Group Centre for Education and Training (2025), *Apprenticeships and traineeships: the employer perspective*

Financial incentives received by employers of apprentices and trainees are an important component of the economic equation for businesses of all sizes and across all industries. Any substantial reduction to employer incentives poses a significant risk of further negative impacts on the engagement of employers in the system.

Australian Industry Group has been a longstanding advocate for expansion of the apprenticeship model into higher qualification levels, in context of the growing and changing skills needs across industries.<sup>33</sup> Several successful models are already underway. This includes a Bachelor of Software Engineering in South Australia, delivered by Uni SA in partnership with industry. A Mechanical Engineering degree apprenticeship program is also underway in Victoria through RMIT. More needs to be done to build the availability and uptake of these models nationally at scale, where demand exists.

While higher and degree apprenticeships may not be suitable in every instance, there is widespread employer interest in the model. In a recent survey, nearly half (46%) of all employers identified that apprenticeship-type programs for occupations at Diploma or Degree levels would be appropriate for their business.<sup>34</sup>

**Nearly half (46%) of employers identify that apprenticeship-type programs at Diploma or Degree levels would be appropriate for their business**

Australian Industry Group strongly supports the work currently underway through Skills Ministers to examine the barriers to developing apprenticeships at higher levels. It is important that this work leads to meaningful steps to continue to build on the existing momentum around higher and degree apprenticeships. This includes the removal of structural impediments to the further uptake of degree apprenticeships, including the Fringe Benefits Tax rule, and making degree apprenticeships eligible for system supports. Australian Industry Group will continue to be an active participant and partner in these processes.

## Priority action 6

Strengthen the role of the apprenticeships system in delivering the current and future needs that will support productivity growth through:

- Ensuring **the economic reality of apprenticeships and traineeships remains viable for employers**, including through the provision of financial incentives to employers of apprentices and trainees across industries, regardless of size, as outlined in the *Apprenticeships and traineeships: the employer perspective* report published in June 2025.
- Continuing reform effort focussed on **increasing the availability and uptake of degree apprenticeships**, including through removal of structural barriers such as Fringe Benefits Tax and making degree apprenticeships eligible for system supports.

<sup>33</sup> Australian Industry Group Centre for Education and Training (2023), *Degree Apprenticeships: Creating the right environment in Australia*, Thought Starter

<sup>34</sup> Australian Industry Group Centre for Education and Training (2025), *Apprenticeships and traineeships: the employer perspective*

# 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.

## Australian Industry Group contact for this report

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