

Productivity Commission

Building a skilled and adaptable workforce

Interim report submission

SEPTEMBER 2025



Overview

The Australian Industry Group Centre for Education and Training (CET) welcomes the opportunity to provide feedback on the interim report for the 'building a skilled and adaptable workforce' inquiry.

The overall direction of the interim report is supported, as stated in our [media release on 12 August 2025](#). We particularly support the focus on workplace training and proposals such as financial incentives for Small and Medium sized Enterprises (SMEs), the provision of advisory services for SMEs and improving the use of Recognition of Prior Learning (RPL).

In August 2025, the CET released <https://cet.aigroup.com.au/news/reports-submissions/2025/people-powering-productivity/> in the leadup to the Economic Reform Roundtable. The findings and priority actions outlined in this report are highly relevant to your inquiry and the requests for information included in the interim report. This report (attached) should be considered to form part of our submission to the interim report.

This letter outlines specific comments related to some of the draft recommendations and information request in the interim report that go beyond the information contained within the recent CET report.

The CET welcomes the interim report as an important step towards improving productivity growth through improving the skills of the workforce. We look forward to participating further as the final report is developed and would be pleased to meet with you to discuss in more detail.

Establishing a national credit database

The concept of a national credit database is supported. A renewed focus on retraining for people already in the workforce will mean that more will seek credit for training previously completed, and would benefit from robust credit arrangements. A national database could underpin such arrangements. Your interim report highlights that despite requirements, the credit arrangement policies of education providers are not readily accessible to prospective students. Requiring all providers to contribute to a national database would ensure greater consistency between providers and provide a central repository for the public to access.

There is no reason why de-identified RPL decisions could not be included on the database. A simple result, such as *'gave Person X credit for Unit XXX because they had three years of experience doing YY and correctly answered approved exam questions'* would help both a student contemplating an application for RPL and an education provider who has received such an application. However, the risk in including RPL in a database is firstly that everyone's experience is different. The nuances of different decisions may end up providing too many examples for the database to be useful. The other risk is that providers may use the database to tick boxes rather than properly test a person's skills and knowledge. This has been a common criticism of some VET providers that favour RPL above training provision.

A possible barrier for including RPL on the database is that providers might be unsure about the validity of their RPL assessment and therefore reluctant to post it online. Our preference is to develop nationally approved recognition tools, especially for VET providers, as described below. This would provide some assurance to providers that their assessment tools have been endorsed and should lead to greater uptake.

Recognition of Prior Learning (RPL) assessments

Better ways of facilitating RPL are essential to help more people engage with lifelong learning. 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.

While we strongly support making RPL simpler, easier and more widespread, it must still be sufficiently rigorous to ensure that students can truly demonstrate competence. The education system and the labour market must have confidence in the skills and knowledge recognised through an RPL process.

It would be very helpful to have a coordinated RPL assessment process that spans across multiple education providers, especially in the VET sector where every provider is delivering nationally accredited qualifications. Such an initiative could commence by developing nationally endorsed RPL resources, with case studies that demonstrate how RPL could be granted. Such resources could be developed by the Jobs and Skills Councils for commonly taught units, and made available to providers free or for a reasonable price. The resources could be endorsed by ASQA to provide greater confidence in their status for providers.

Financial incentives for training in small and medium enterprises (SMEs)

The draft recommendation for financial incentives to increase work-related training for SMEs and the provision of an advisory service for those SMEs is strongly supported. While the rationale for targeting support in particular towards SMEs is supported, supporting and enabling skills development within larger businesses also need to be considered.

There is public benefit associated with government support for productivity-enhancing skills development at the firm level for businesses of all sizes, where this training is likely to lead to both firm-level and economy-wide benefits. It is, however, reasonable to expect that the type and scale of government support may differ for businesses of different sizes. One way this has been approached in the past is through tiered co-contribution rates for business-facing skills development programs where businesses of all sizes are eligible, but smaller businesses receive a larger government contribution.

It is also important to recognise that 'large' businesses are not homogenous. Noting the standard definition of a large business as having more than 200 staff, there is often a significant difference in the capacity and resources within a business of 200 staff compared to a very large company employing many thousands of staff.

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. Examples that the CET considers to have been successful include:

- the Industry Skills Fund, which existed from around 2015 to 2016;
- the National Workforce Development Fund, which existed from around 2012 to 2014;
- the Workplace English Literacy and Language program, which closed in 2014; and
- the Skilling Australia's Defence Industry Program.

There are common elements across each of these successful initiatives that we consider to be design principles for future initiatives in this area:

- A focus on firm-level productivity and business improvement as a primary objective.
- Strong industry involvement in design and implementation.
- The ability for businesses, particularly SMEs, to access independent, trusted and industry-relevant advice to design an effective skills and capability uplift solution.
- The ability for businesses to access training tailored to the specific needs of their business and/or employees, including through flexible and workplace-based delivery.
- Co-investment between government and industry.

Further information on these previous programs and design principles for future initiatives is contained within the CET report that forms part of this submission.

SME advisory services for training provision

The CET agrees with the Commission's finding that SMEs may need an advisory service to help them effectively take up financial incentives to train staff. The draft recommendation made closely aligns with the relevant design principle from our report referenced above.

Companies find the training system complex and difficult to navigate and are often at a loss to know where to go for information and support. The complexity is increased when a company is operating across state and territory borders. While this is an issue for all companies, it can be particularly pronounced for SMEs. A trusted advisory service could help companies navigate the system and provide increased confidence to make the financial and time investment in staff training.

It is essential that any advisory service is independent and trusted. It should be independent of training providers and governments if it is to gain the confidence of businesses. There are successful examples from previous programs, such as the Industry Skills Fund referenced above, where advisors embedded within industry have led to positive results. The support from advisers should include identification of what training would be suitable to address the business need, assistance with selecting a suitable training provider, and connection to any government funding or incentive that may be relevant.

Supporting access to work-related training

Industry and employers are committed to developing the skills of their workforce. The Australian Industry Group's Industry Outlook for 2025 found that 42% of businesses reported planning to maintain investment and 40% reported planning to increase investment in staff training during 2025. Similar results have also emerged from other surveys. Australian Industry Group consistently hears from businesses that economic conditions, pressures on costs and margins can constrain the provision of work-related training.

Businesses also report a range of barriers and constraints that can impede provision of work-related training. A key element of any approach to support employer investment in workplace training must be to minimise and streamline barriers that constrain this investment. A number of specific examples are detailed in the CET report that forms part of this submission, including Fringe Benefits Tax liabilities, the collective impact of compliance-related training requirements, the viability of Enterprise-based Registered Training Organisations and overall system complexity.

Also relevant in this context is that over the last decade the focus on workplace delivery of training in 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. System and funding settings that encourage flexible delivery of training, including onsite at workplaces and outside of normal working hours, should be prioritised to help encourage all training providers, both public and private, to develop programs that better meet the needs of businesses and their workforces.

Governments, industry and individuals themselves all have a role in sharing in the costs and the benefits of skills development and lifelong learning. Issues related to employer investment need to be considered within this broader context of shared responsibility, as not all work-related training is employer driven or employer supported. Consideration is also needed of various policy settings that potentially constrain investment by individuals in lifelong learning. This includes but is not limited to restrictions on tax deductibility of self-education expenses.

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 – it is important that all relevant policy settings are actively encouraging this objective. These policy settings extend across many different areas of government policy and a robust evidence base is important. The CET agrees with the Commission's finding that more data is needed to better understand work-related training.

Occupational entry regulations and expanded entry pathways

The focus in the interim report on Occupational Entry Regulations (OERs) is welcome. These are complex issues that require detailed consideration. While excessive and inconsistent requirements need to be removed where possible, it is important that employers, and the consumer, have confidence that those who claim to be fully qualified can work to a suitable standard. The industries that employ workers in these occupations need to be closely involved in setting expectations.

National consistency should be a key driver in this process. The CET supports the draft recommendation for State and Territory regulators to review their own entry regulations where they do not exist in other jurisdictions.

In June 2025, the Australian Industry Group responded to the Commission's National Competition Policy Analysis 2025. This submission outlined support, in principle, for the development of a nationally consistent occupational licensing scheme where we can be reassured that it will enhance labour mobility, reduce needless duplication, and deliver consistent regulatory expectations across Australia that make it easier for employees to plan their career and employers to plan their business operations.

Consideration of alternative approaches to apprenticeships for entry to trade-based occupations should be approached very carefully. There are already ways for people to gain recognition for trade-based skills via alternate means. As the interim report notes, the NSW Trade Pathways for Experienced Workers program provides a good example of how unqualified workers with experience in an occupation can gain recognition for their skills. The interim report also notes that the Australian Government committed \$78 million to its Advanced Entry Trades Training program.

The examples noted above are designed for workers who can already demonstrate skills they have developed through work in related occupations. The CET recommends that this should be the preferred method for expanding entry to trade qualifications. The apprenticeship model, and the industrial awards that provide for apprentices' employment conditions, are predicated on an expectation that an apprentice's progress depends on completion of formal training and proving their competence through work. Any alternative approach should be underpinned by both of these elements.

The CET further recommends that alternative pathways should require independent and industry-endorsed assessment of a person's competence. Too often in the past, institution-only pathways that rely solely on the judgement of a single RTO have led to unintended consequences or poor outcomes. The relevant industry must be central in determining when a person is competent at a trade level.

Issues around alternative apprenticeship approaches also link to the issues around RPL being considered separately by the Commission through this Inquiry. In June 2025, the CET released significant research on Australia's apprenticeship system through the report *Apprenticeships and Traineeships: The Employer Perspective*. This report outlined that the overall view from employers was that RPL is strongly supported when it can help apprentices and trainees with previous experience to progress more quickly through their training contracts. This is especially relevant for mature-aged workers. However, generally, for those with experience of RPL, it is clunky, inconsistently applied and perceived as something RTOs are reluctant to proactively offer.

Also relevant to considerations about alternative approaches to apprenticeships is that competency-based wage progression already exists. Fair Work Australia amended several industrial awards in 2013 to provide for competency-based wage progression of apprentices instead of fixed term nominal durations. However, the CET research referenced in the paragraph above highlighted that, more than ten years on, the system is still causing issues for employers. More than a third of employers surveyed reported the system for competency-based wage progression works poorly or needs improvement.

About Australian Industry Group

The Australian Industry Group (Ai Group®) is a peak national employer organisation representing traditional, innovative and emerging industry sectors. We have been acting on behalf of businesses across Australia for 150 years.

Ai Group and partner organisations represent the interests of more than 60,000 businesses employing more than 1 million staff. Our membership includes businesses of all sizes, from large international companies operating in Australia and iconic Australian brands to family-run SMEs. Our members operate across a wide cross-section of the Australian economy and are linked to the broader economy through national and international supply chains.

Our purpose is to create a better Australia by empowering industry success. 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.

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The Australian Industry Group Centre for Education and Training



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