

Building a skilled and adaptable workforce Interim report

16 September 2025

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Executive Summary

The Future Skills Organisation (FSO) welcomes the Productivity Commission's Interim Report on *Building a skilled and adaptable workforce* (Interim Report).

While the FSO has responsibility for the stewardship of skills for specialist occupations within the finance, technology, and business (FTB) sectors it also operates in what the Commonwealth's Vocational Education and Training (VET) Qualifications Reform Design Group called *purpose three* qualifications. This is where learning and cross-sectoral skill requirements provides additional opportunities for innovation in areas such as cross-industry skills, foundation skills and for models to deliver stronger educational outcomes for learners.

FTB roles account for 13 percent of Australia's total workforce and have experienced significant growth since 2021. This underscores the need to broaden and deepen the domestic talent pool, and to ensure there are effective pathways into FTB industries and occupations.

FTB employers tend to prioritise skills candidates bring to the business rather than focusing solely on qualifications or credentials. Employers often say they want skills, and tend to hire based on skills, but in general still describe their needs in traditional terms of jobs and tasks that lead to business outputs. There is a need to identify the transferable skills shared across industries and occupations, while also specifying the skills to deliver on particular tasks that must be completed to get the job done in creating outputs valued by employers' customers.

This complexity is compounded by the fact that, despite the Commission's call for greater recognition of alternative forms of training, the VET system's architecture, including its datasets and policy settings, remains focused on occupation-based, qualifications-first pathways. Funding continues to be tied primarily to full courses and certificates, rather than to the practical skills people need for jobs.

The current system often locks training into outdated qualification structures that lag behind industry change, making it difficult to recognise emerging or cross-cutting capabilities, particularly in the FTB sectors. This approach leads learners to invest time and money in credentials that don't always align with real workforce needs, while employers struggle to find candidates with the specific skills required. Shifting to a skills-first model would enable more flexible, modular recognition of capability and speed up adaptation to labour market changes, making skills more visible and valued.

A widely accepted national skills taxonomy would enable employers to describe their business needs in terms of skills, rather than just in the traditional terms of jobs and tasks, that lead to business outputs, and it may widen and deepen the available talent pool for employers.

Adopting skills-based workforce development would also strengthen education pathways, encouraging cross-sector collaboration between secondary and tertiary education providers, FTB industries and employers, unions, and governments. Such collaboration is critical to broaden and deepen the domestic talent pool, regardless of background, gender, economic or social circumstance, or geographic location. Tailored solutions will be essential for each context, shaped by collaborative engagement rather than dictated centrally.

The Best Resources to Improve School Student Outcomes

While FSO is not positioned to comment on the local value of shared national educational resources, it is well placed, as an industry-led body, to contribute to what these resources should encompass. A key method for improving student outcomes and preparing them for in-demand FTB industries is to ensure students develop strong generalist skills.

Generalist skills refer to a broad range of knowledge and abilities that span multiple areas, rather than deep specialisation in a single field. Individuals with generalist skills are versatile, adaptable, and capable of understanding and working across different disciplines. They excel in problem-solving, creativity, strategic thinking, and connecting ideas from various fields, which makes them well-suited for roles requiring a holistic view and managing diverse functions or teams.

High-quality, curriculum-aligned lesson planning materials that articulate nationally agreed learning outcomes for these generalist skills could be transformative. Generalist skills meet both learning and cross-sectoral workforce requirements, forming a foundation for further specialisation. Development of these materials should involve collaboration among industry, employers, and the tertiary education and training sectors, ensuring learning outcomes reflect skills relevant across the labour market and serve as building blocks for specialist capabilities.

Technology now underpins many occupations. This highlights the importance of digital capability as a foundation for further digital and specialist skills development. The accelerating technological shift requires a re-evaluation of schooling, tertiary education, and pathways into work, so students leaving school are prepared for an economy driven by artificial intelligence (AI).

Focus areas for training, such as AI fundamentals, practical application of AI, ethics, security, and best practice, should be integrated early into the schooling system, supported by national leadership and collaboration from industry, unions, governments, and educators.

As an example of what might be done, in July 2025, the FSO launched the FSO Skills Accelerator-AI in partnership with industry, educators, and trainers to co-design AI training and shared resources. The aim is to reach over 30,000 VET educators and administrators and set a new benchmark for nationwide AI capability. By integrating AI training into national standards, Australians will be empowered to thrive in an AI-enabled future.

With Microsoft as a founding partner and support from other organisations, FSO is working to equip VET teachers, trainers, administrators, and learners with essential AI capabilities and create a faster, more connected skilling system. Such a scalable model could also benefit the national schooling system.

Building Skills and Qualifications for a More Productive Workforce

FSO supports the Commission's recommendation to move towards a national system of credit transfer and Recognition of Prior Learning (RPL). While enhancing the functionality of RPL is important, relying solely on qualifications to navigate the labour

market can be limiting. Greater emphasis is needed on the actual skills individuals hold, not just on formal learning or credentials and, within formal learning, on the specific skills acquired.

For RPL to be more effective, there may also need to be agreed national learning outcomes across the tertiary education and training sector. Moreover, there is a strong case for advancing recognition beyond prior learning to the recognition of existing skills. This approach focuses directly on the skills individuals currently possess as the foundation for workforce readiness and further skill development. This skills-based pathway offers a valuable alternative to traditional qualification-focused routes.

FSO's preliminary work with the Council of Small Business Organisations Australia (COSBOA) Expert Panel has identified key skill needs for small business employees and owners/managers.

FSO welcomes the opportunity to discuss these insights further with the Commission to inform its final recommendations.

Recommendations

Recommendation 1

That the Commission note the importance for school students, and those already in the labour market, to acquire strong generalist skills to support future employment through the consideration of nationally shared high-quality, curriculum-aligned lesson planning materials that includes widely agreed learning outcomes for a range of generalist skills.

Recommendation 2

That the Commission notes:

- a) The need to ensure students exiting the Australian schooling system have the skills needed to interact with AI.
- b) Schools need to be well-placed to deliver skills that support AI literacy including AI fundamentals, practical use of AI, ethics, security, and best practice.
- c) All students should expect they will be supported to meet national digital literacy proficiency standards as a foundation for success beyond school.
- d) National leadership is required for collaborative engagement for edtech and AI in schools by industry and employers, sector unions, and governments working together with educationalists.

Recommendation 3

That the Commission notes:

- a) While the *FSO Skills Accelerator-AI* is a model that may drive a new benchmark for nationwide AI capability for VET educators and administrators there is not a similar model for other educational sectors such as schooling or higher education.
- b) The *FSO Skills Accelerator-AI* model or something of similar purpose will likely only be sustainable through an industry-government funding model.

Recommendation 4

To support a national system of credit transfer and recognition and to support life-long learning, the Government should consider:

- a) Developing and promoting a national skills taxonomy by pointing to common skills frameworks already adopted by industry, employers, the government sector, and education and training institutes, such as Skills Framework for the Information Age and the Digital Competence Framework for Citizens.
- b) Supporting adoption of skills-first hiring and training by providing national leadership and examples of implementation within the federal, state and territory public sectors.
- c) Providing free practical skills assessments, such as provided through SkillsAware, to support through technology, including through the application of artificial intelligence, the recognition of existing skills held by both the domestic and migrant workforce and those seeking to enter the workforce, both for specialist and for generalist skills.
- d) Seeking tertiary sector qualifications are explicit on the skills able to be acquired through the courses on offer at each institute of learning.

Recommendation 5

That the Commission notes FSO supports the work of small business associations and peak bodies to create awareness of the skill needs of SMEs, especially given the changing technological landscape, and that FSO has undertaken preliminary work to assess these needs.

Introduction

The Future Skills Organisation (FSO) welcomes the Productivity Commission's (the Commission) Interim Report on *Building a skilled and adaptable workforce*.

FSO is one of ten Jobs and Skills Councils (JSC) funded by the Australian Government, with a strong focus on skills. FSO's mission is to advance transferable and industry-specific skills in the finance, technology, and business (FTB) sectors. Through close collaboration with industry, unions, and governments, under tripartisanship, and with the training and education sector, we work collectively to benefit employers, employees, and those seeking to enter the FTB sectors.

While the FSO has responsibility for the stewardship of skills for specialist occupations within the finance, technology, and business (FTB) sectors it also operates in what the Commonwealth's Vocational Education and Training (VET) Qualifications Reform Design Group called *purpose three* qualifications. This is where learning and cross-sectoral skill requirements provides additional opportunities for innovation in areas such as cross-industry skills, foundation skills and for models to deliver stronger educational outcomes for learners.

For building a skilled and adaptable workforce, FSO notes the Commission is particularly interested in:

- The best resources to improve school student outcomes
- Building skills and qualifications for a more productive workforce
- Fit-for-purpose occupational entry regulations

In this submission, FSO addresses the first two matters.

FSO considers the current work of the Productivity Commission important. It follows the previous Australian Parliament's House of Representatives Standing Committee on Employment, Education and Training (House Committee) report, *The Future of Work*, out of its 2024 Inquiry into the Digital Transformation of Workplaces.

FSO made both a submission to, and appeared before, the House Committee. The House Committee made 21 recommendations, including a focus on '...maximising benefits of AI and ADM in the workplace, including through increased support to employers and employees, and strengthening workforce capabilities'.¹

Finance, Technology, and Business - In-demand Industries

During July this year, FSO released its industry workforce plan for the FTB sectors. Across Australia, industries in FTB are in-demand with the sectors having seen significant growth since 2021:²

- **The finance sector** in 2024 employed 732,180 people in total, up nine percent in the three years since 2021.³ This was five percent of the Australian workforce total.⁴

¹ House of Representatives Standing Committee on Employment, Education and Training, January 2025, *The Future of Work*, https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000516/toc_pdf/TheFutureofWork.pdf page V

² Future Skills Organisation, July 2025, *Workforce Plan 2025 Pathways to Impact*, <https://futureskillsorganisation.com.au/wp-content/uploads/2025/06/02-2025-FSO-WFP-Full-Report.pdf>

³ Australian Bureau of Statistics (ABS) 2024 Labour Force Survey, Detailed, November 2024, Jobs and Skills Australia (JSA) trend data with FSO methodology applied.

⁴ ABS (2021) Census: Employment, income and education, LFSP Labour Force Status, Counting: Person Records

- **The technology sector** in 2024 employed 471,920 people in total, up ten percent in the three years since 2021. This was three percent of the Australian workforce total.
- **For business** for 2024 there were in 662,320 people employed in total, up six percent since 2021. This was five percent of the Australian workforce total.

FTB roles account for 13 percent of Australia's total workforce and have experienced significant growth since 2021. This underscores the need to broaden and deepen the domestic talent pool, and to ensure there are effective pathways into FTB industries and occupations.

These pathways may be supported by cross-sectoral collaborative engagement between secondary and tertiary education and training sectors, FTB industries and employers, FTB sector unions, and governments. Such collaboration is needed to widen and deepen the domestic talent pool, irrespective of background of gender, economic or social circumstances, or geographic location.

Tailored solutions will be needed for each of these circumstances, not dictated centrally or by any particular group but by collaborative engagement. For example, disadvantaged students in regional areas may need different support to disadvantaged students in metro areas, with collaborative engagement at a more local level.

See [Attachment A](#) and [Attachment B](#) for graphs of examples of FTB in-demand industries and occupation employment forecasts 2024-30.

The Best Resources to Improve School Student Outcomes

FSO notes the Commission recommends 'The Australian Government should invest in a single online national platform that houses a comprehensive bank of high-quality, curriculum-aligned lesson planning materials. These materials should be publicly available to teachers in all states and territories and across all school sectors, including Catholic and independent schools.'

While the FSO may not be best positioned to provide a view on the value at the local level of shared national educational resources, due to being industry-led, FSO are well positioned to provide a view on what those shared educational resources should cover.

Generalist Skills that Transverse the Labour Market

A key method of improving school student outcomes, that leads to employment in FTB in-demand industries, is to ensure students have strong generalist skills.

The evidence suggests that generalist skills such as digital literacy, communication, teamwork, problem-solving, and adaptability are now essential for enabling learners to move fluidly into the labour market and between jobs and industries. Generalist skills support individual career mobility and economic resilience and enable workers to realise their aspirations, especially at the early career stage. Generalist skills also enable workers to adjust to rapid labour market changes, including through technological change and the transition to a clean economy. Generalist skills need to be in a form that allows students to contextualise these skills to a particular industry or occupation.

For the FTB sectors, recognition of the importance of generalist skills may also help balance gender-bias within science, technology, engineering, and mathematics.

Supporting evidence

Australian and international economies continue to undergo significant structural change. As industries converge, technology changes, and job roles evolve, workers are requiring transferable, cross-industry (generalist) skills to thrive. This shift, and the consequent change in skills needed, is recognised in the Australian Government's White Paper on Jobs and Opportunities.

'Human capital accumulation requires an investment in people to build up not just technical skills and knowledge but also the core transferable skills needed to be resilient and adaptable through structural change.'⁵

The Australian economy has transformed into a service-based economy, resulting in nearly 90 per cent of employment in 2020 being in the service sector.⁶ This has further heightened the need for labour market wide generalist skills. A 2020 report⁷ by an expert panel⁸ chaired by Professor Peter Shergold AC, noted:

'Senior secondary graduates will need a broader and different mix of skills compared to previous generations, including stronger problem solving, communication and digital skills, as well as critical and creative thinking.'

International research supports this view. The World Economic Forum's Future of Jobs survey found the top generalist skills required for the workforce include analytical thinking, resilience, flexibility and agility, leadership, and social influence and creative thinking. Almost 70 percent of employers consider analytical thinking to be a core skill for their workforce.⁹

Research also indicates that it is general skills that most impact wage premiums and that, as the labour market morphs and adapts to change, especially technological change, it is generalist skills that most enable workers to transition:

'...observed wage premiums associated with nested skills almost fully disappear when controlling for an occupation's general skill requirements. This finding underscores the previous argument that specific skills complement general ones rather than stand alone, while general skills remain largely independent. Therefore, even in specialised roles, a strong foundation in general skills remains essential.'¹⁰

This further emphasises the need for generalist skills to be embedded in educational pathways at school, in VET and in higher education, supported by widely agreed learning outcomes. Generalist skills also need to be recognised and visualised as part of school career development initiatives and student engagement.

⁵ The Treasury, 2023, *White Paper on Jobs and Opportunities*, page 87, <https://treasury.gov.au/sites/default/files/2023-09/p2023-447996-07-ch5.pdf>

⁶ Productivity Commission, 2021, *Things you can't drop on your feet An overview of Australia's services sector productivity*, see especially graphs page 6 <https://www.pc.gov.au/ongoing/productivity-insights/services/productivity-insights-2021-services.pdf>

⁷ Education Council *Looking to the Future: Report of the Review of Senior Secondary Pathways into Work, Further Education and Training*, June 2020, <https://www.education.gov.au/recurrent-funding-schools/resources/looking-future-report-review-senior-secondary-pathways-work-further-education-and-training> page 8, with recommendations

⁸ The expert panel chaired by Professor Peter Shergold included eminent industry and educationalists Professor Tom Calma AO, Patrick O'Reilly, Sarina Russo AM, Patrea Walton PSM, Professor Jennifer Westacott AC, and Dr Don Zoellner. The Committee is encouraged to seek input from members of the expert panel.

⁹ World Economic Forum 2025, *Future of Jobs Report*, page 35 https://reports.weforum.org/docs/WEF_Future_of_Jobs_Report_2025.pdf

¹⁰ Nature Human Behaviour | Volume 9 | April 2025 | 673–687 *Skill dependencies uncover nested human capital* page 680 <https://www.nature.com/articles/s41562-024-02093-2>

Feedback received by FSO indicates a need for further support for upskilling and reskilling for entry level workers in generalist skills as they exit the schooling system.

Future opportunity

High-quality, curriculum-aligned lesson planning materials that set out nationally agreed learning outcomes for generalist skills for school students may be a significant step forward. Generalist skills fit the criteria of meeting ‘....learning and cross-sectoral skill requirements...[that will]...deliver stronger educational outcomes for learners.’¹¹

These lesson planning materials need to include agreed learning outcomes determined in collaboration with a range of stakeholders, including industry and employers and the tertiary education and training sector, as generalist skills traverse the labour market and are the bases on which more specialist skills may be built.

Recommendation 1

That the Commission note the importance for school students, and those already in the labour market, to acquire strong generalist skills to support future employment through the consideration of nationally shared high-quality, curriculum-aligned lesson planning materials that includes widely agreed learning outcomes for a range of generalist skills.

Digital Capability and the Impact of AI

FSO notes the Commission recommends ‘The Australian Government should provide national leadership on edtech and AI in schools and work to make the best available tools available to all teachers.’ Further, ‘State and territory governments should focus their efforts on professional development and wrap-around support for schools that enables teachers to adopt and use these tools effectively.’

As noted, Australia is now primarily a service-based economy. The economy is driven by underpinning technology in almost every job. This means workers and those seeking to enter the labour market need a level of material digital capability on which they may build specialist digital skills.

This has become even more apparent with the rise of the broad application of artificial intelligence (AI) and the continued need for everyone to have strong cyber security skills¹². The Australian economy and its labour market has been digitalised, with the sophistication of that digitalisation, in general, the difference between different occupations and job roles.

¹¹ Qualification Reform Design Group, *Unlocking the potential of VET*, December 2024, <https://www.dewr.gov.au/skills-reform/resources/qrdg-final-report-december-2024>

¹² National Institute of Standards and Technology, 2018, *Cybersecurity is Everyone's Job*, https://www.nist.gov/system/files/documents/2018/10/15/cybersecurity_is_everyones_job_v1.0.pdf

Supporting evidence

As recognised in the World Economic Forum 2025, *Future of Jobs Report*:

‘Technology is predicted to be the most divergent driver of labour-market change, with broadening digital access expected to both create and displace more jobs than any other macrotrend (19 million and 9 million, respectively).’

One of the most divergent drivers of labour-market change is AI, including generative AI and agentic AI. Research conducted by FSO and Mandala Partners¹³ indicates:

- Generative AI is significantly impacting the labour market. AI is not only automating routine tasks but also enhancing human abilities. This technology boosts productivity, creates new jobs, and demands new skills. That is, AI not only automates but in the main it augments existing worker tasks and skills, including broad based generalist skills.
- The impact of AI is not uniform. Jobs requiring higher cognitive skills, like those in finance and business services, are more exposed to the impact of AI. The adoption of AI also differs between and within occupations and industries due to trust issues with AI and limited access to training, which needs to be address initially within the schooling system.
- Individuals are interested in training especially in areas such as AI fundamentals, practical use of AI, AI ethics, and security and best practice.
- FSO is responding to this need by developing VET training products to build generalist AI skills.¹⁴

As noted above, the Shergold chaired expert panel reported in 2020. The urgency of the recommendations on digital skills are even more apparent with the emergence of the broad application of generative and agentic AI. These recommendations included:

‘All students should expect that they will be supported to meet the minimum literacy, numeracy and digital literacy proficiency standards, which are the foundation for success beyond school.

- a) Students should be supported to meet the requirements and have them recognised by the end of Year 10.
- b) Students still requiring additional assistance to meet those standards should be provided with targeted interventions in Years 11 and 12.
- c) If, despite this supplementary support, students leave school without meeting these standards, they should be given ample opportunity and support to achieve these proficiency standards later.’

Future opportunity

Technology now underpins many occupations.¹⁵ The technological shift upon us calls for a re-evaluation of schooling, tertiary education and training, and workplace opportunities

¹³ Future Skills Organisation, 2023, *Impact of generative AI on skills in the workplace*, <https://static1.squarespace.com/static/6461becc1e854a7ccb83e329/t/656e6e2bf37bf83542676acc/1701735981705/2023-FSO-Impact+of+Generative+AI+on+skills+in+the+workplace.pdf>

¹⁴ <https://futureskillsorganisation.com.au/project-uplift-digital-capability/>

¹⁵ World Economic Forum, *Future of Jobs Report 2023*, May 2023, https://www3.weforum.org/docs/WEF_Future_of_Jobs_2023.pdf, especially Chapter 2 *Drivers of labour market transformation*

and pathways to ensure students exiting the schooling system have the material digital skills needed in an AI-driven economy.

The focus areas for training, including AI fundamentals, practical use of AI, ethics, security and best practice, could be addressed in the schooling system, supported by collaborative engagement by industry and employers, sector unions, and governments working together with educationalists.

Recommendation 2

That the Commission notes:

- a) The need to ensure students exiting the Australian schooling system have the skills needed to interact with AI.
- b) Schools need to be well-placed to deliver skills that support AI literacy including AI fundamentals, practical use of AI, ethics, security and best practice.
- c) All students should expect they will be supported to meet national digital literacy proficiency standards as a foundation for success beyond school.
- d) National leadership is required for collaborative engagement for edtech and AI in schools by industry and employers, sector unions, and governments working together with educationalists.

FSO Skills Accelerator-AI, A VET Educator Case Study

In July 2025 the FSO launched the *FSO Skills Accelerator-AI* to be rolled out in partnership with industry, educators and trainers in a collaborative approach to co-design AI training and shared resources.¹⁶

With a goal to reach learners and more than 30,000 VET educators and administrators, through the *FSO Skills Accelerator-AI* the FSO is seeking to drive a new benchmark for nationwide AI capability. The integration of AI training into national standards will empower Australians to keep pace and prosper in an AI-driven future.

With Microsoft as a founding partner, and alongside other supporting organisations, the aim is to support VET teachers, trainers, administrators and learners to build essential AI capabilities as a foundation for a faster, more connected, and forward-looking skilling system.

The *FSO Skills Accelerator-AI* will support the training product development activity FSO has commenced to update the ICT training package with new and urgent training products related to the skills needed to work with specialist AI to provide recommendations for the direction of the Specialist AI training products. Likely outputs of this work include specialist Artificial Intelligence Training products and the potential development or refinement of units of competency in other AI areas identified as essential or urgent.¹⁷

¹⁶ <https://www.futureskillsorganisation.com.au/skills-accelerator-ai/>

¹⁷ <https://www.futureskillsorganisation.com.au/project-specialist-ai/>

Recommendation 3

That the Commission notes:

- a) While the *FSO Skills Accelerator-AI* is a model that may drive a new benchmark for nationwide AI capability for VET educators and administrators there is not a similar model for other educational sectors such as schooling or higher education.
- b) The *FSO Skills Accelerator-AI* model or something of similar purpose will likely only be sustainable through an industry-government funding model.

Building skills and qualifications for a more productive workforce

FSO recognises the intent of the recommendation by the Commission to ‘Move toward a national system of credit transfer and recognition of prior learning (RPL).’ While the FSO supports any measure that may make RPL more functional there are a range of reasons why relying solely on a qualification approach to the labour market may be sub-optimal. There needs to be a focus on skills held rather than just formal learning undertaken, and in the case of the latter what skills were acquired through that formal learning.

There may also need to be a move towards widely agreed learning outcomes across the tertiary education and training sector, if RPL is to become more functional.

Skills First Approach

The economy is now more reflective of dynamic job roles with employers seeking people with the right skills to match those roles - that is, skills to undertake job tasks that make up a job role and job clusters (jobs where these have, in the majority, similar tasks).

A focus on skills recognises that people have existing skills for more jobs than they realise, and employers have a wider pool of talent for job roles. Both employees and employers can then identify the small number of additional skills needed, most likely able to be learnt in the workplace, to enable a successful journey along a skills pathway.

Skills pathways provide a signposted journey that leads an individual and/or organisation to understand the skills necessary for growth. These skills pathways are created by the market to match the market generated job pathways on which career pathways may overtime be built by the individual. Learning pathways provide an individual with additional knowledge, skills and application needed for mobility in the labour market, as part of lifelong learning.

In general, it is the market that creates skills pathways based on job roles and it is the agency of the individual, employer, or at times the educationist or the trainer, that identifies those skills pathways. Given fully, or near fully, functioning markets are dynamic, then a skills pathway is current for a specific context and time. Skills pathways will evolve as job roles change, and job pathways change. This skill-first approach is more flexible for employment than solely a qualification approach.

FSO workforce planning activities for the FTB sectors shows the need for responding to contemporary job architectures through strengthened pathways from education into

in-demand industries, with a particular emphasis on skills-first, modular, and work-integrated learning models.

There is strong argument we need to move to the recognition of existing skills (RES) rather than prior learning, as the basis for equipping people for the labour market, and to enable the further building of skills. This approach may be seen as an alternative skills-based pathway to a qualification.

The Supporting Evidence

There has been a lot of work examining the jobs-skills approach. One example is the work undertaken by AlphaBeta for the Foundation for Young Australians that analysed 4.7 million job advertisements between 2012 and 2015.¹⁸

Findings included:

- For someone already trained for or who has worked in one job there are 44 different jobs that require only one additional skill.
- From analysis of more than 600 occupations advertised, about 4,600 unique skills were identified leading to a similarity of skills that indicated there were seven job clusters in the economy.
- Many technical skills appear across multiple job roles in a job cluster and are not just specific to a single job.

Work undertaken by the University of Sydney examined how people actually move through the labour market over time, based on people 15 to 58 years, from 2006 to 2011, and intending to remain in the workforce for at least three years.¹⁹ This work indicated 42 job clusters, in which movement in the labour market tended to be horizontal, or sideways, into specialisation roles or jobs at an equivalent level rather than vertical movement.

For example, the study identified horizontal movement between the care, clerical, and customer service job roles (therefore an identified jobs cluster). This movement is based on the current job role having tasks from the previous job, and tasks from future jobs, that require similar skill input to create, through task transformation, job outputs that add value to the employer's business.

Future opportunity

A skills-first approach is not arguing against qualifications. A skills-based approach is an alternative path to a qualification. A skills-first approach directly addresses workplace agility, improves talent diversity, and future-proofs organisations by focusing hiring, development, and deployment on actual skills rather than credentials or degrees.

There are key benefits to a skills-first approach:

- **Wider Talent Pools:** Skills-first hiring opens access to a wider range of candidates as hiring is based on skills to transform tasks in employer valued outputs, irrespective of worker backgrounds.

¹⁸ https://www.fya.org.au/app/uploads/2021/09/The-New-Work-Mindset_2016.pdf

¹⁹ Business Analytics, Business School, the University of Sydney scholarly research, yet to be released, led by Professor John Buchanan.

- **Greater Agility and Resilience:** Employees hired and developed for their skills are able to adapt to industry shifts, new technologies, and evolving business requirements, making organisations more competitive and flexible.
- **Enhanced Retention and Engagement:** When skills, rather than credentials, are valued, workers are more engaged and motivated, leading to better retention and productivity.
- **Cost and Efficiency Gains:** By directly targeting the skills needed for the role, organisations can reduce hiring costs, minimise skill mismatches, and streamline onboarding and training.

A skills-first approach is seen as a strategic response to talent shortages, competitive pressure, and the need for a more adaptable workforce that is better able to drive business outcomes in a changing economic landscape.

Recommendation 4

To support a national system of credit transfer and recognition and to support life-long learning, the Government should consider:

- a) Developing and promoting a national skills taxonomy by pointing to common skills frameworks already adopted by industry, employers, the government sector, and education and training institutes, such as Skills Framework for the Information Age and the Digital Competence Framework for Citizens.
- b) Supporting adoption of skills-first hiring and training by providing national leadership and examples of implementation within the federal, state and territory public sectors.
- c) Providing free practical skills assessments, such as provided through SkillsAware, to support through technology, including through the application of artificial intelligence, the recognition of existing skills held by both the domestic and migrant workforce and those seeking to enter the workforce, both for specialist and for generalist skills.
- d) Seeking tertiary sector qualifications are explicit on the skills able to be acquired through the courses on offer at each institute of learning.

Small and Medium Enterprises Work-Related Training

FSO supports the Commission's recommendations on better target incentives to lift work-related training rates in small and medium enterprises (SMEs), by trialling financial incentives (such as a tax credit) to increase work-related training for SMEs and for SME advisory services to support work-related training.

FSO has undertaken preliminary work with the Council of Small Business Organisations Australia (COSBOA) Expert Panel of COSBOA member associations on the skill needs of small business employees and of small business owners and managers. These discussions identified the need for:

- A digital strategy for small business
- Fragmentation in the leadership of a digital strategy across small business

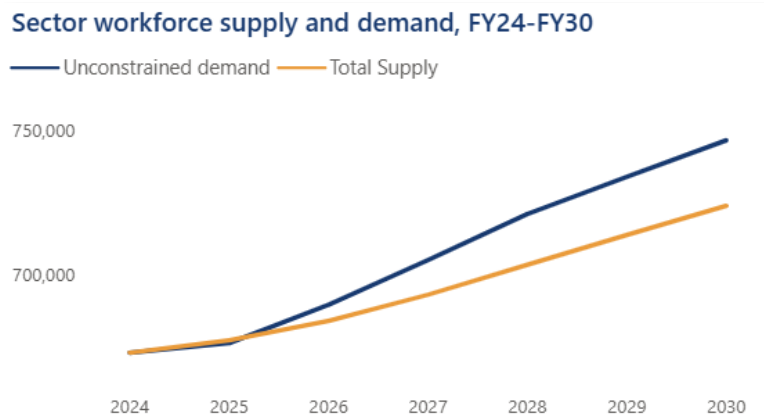
- Lack of time, expertise, confidence in digital, particularly with AI, are major issues
- Increased understanding of AI is needed as it applies to small business
- Digital transformation is needed - it can't be vendor led but rather it needs to be an informed business owned transformation.
- Improve customer experience needs to be the driver for increased automation
- There is a risk of a disconnect between small business employers and employees on the application of technology, especially AI.

Recommendation 5

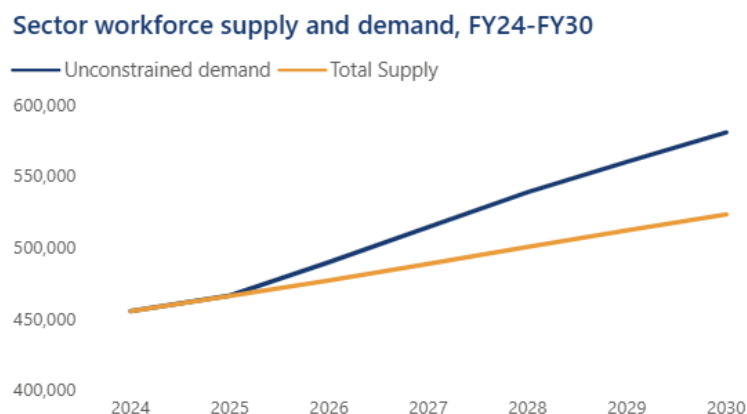
That the Commission notes FSO supports the work of small business associations and peak bodies to create awareness of the skill needs of SMEs, especially given the changing technological landscape, and that FSO has undertaken preliminary work to assess these needs.

National workforce supply and demand projections by industry 2024-30²⁰

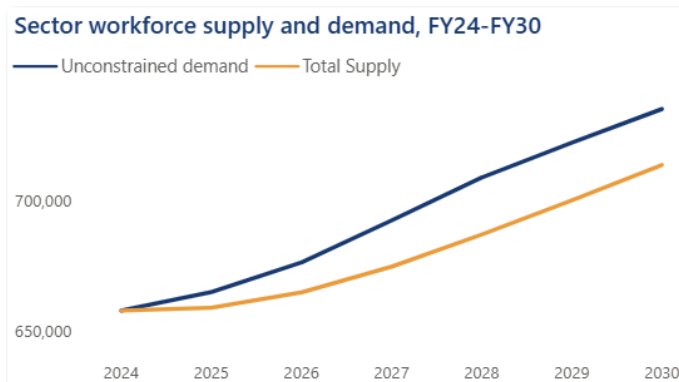
Finance - workers by year



Technology - workers by year



Business - workers by year

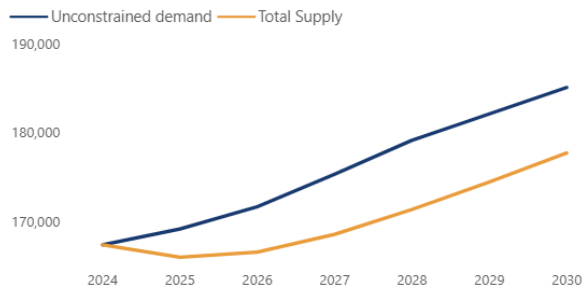


²⁰ See the data FSO 2025 workforce plan and Dashboards tab <https://futureskillsorganisation.com.au/workforce-planning/workforce-plan-2025/>.

National workforce supply and demand projections by sector 2024-30

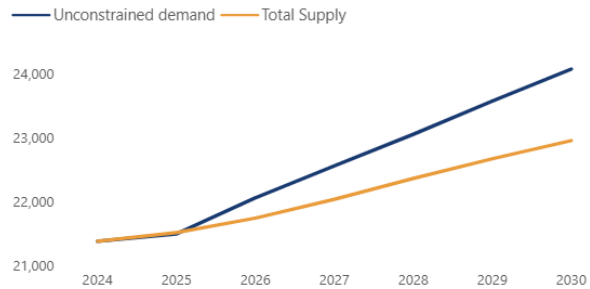
Finance - Accounting Services

Sector workforce supply and demand, FY24-FY30



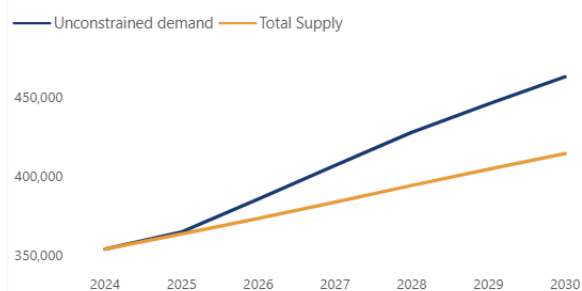
Finance - Superannuation Funds

Sector workforce supply and demand, FY24-FY30



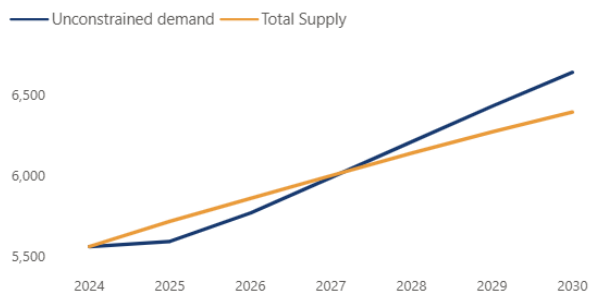
Technology - Computer System Design and Related Services

Sector workforce supply and demand, FY24-FY30



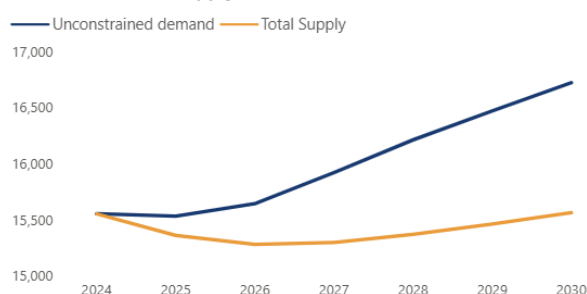
Technology - Internet Service Providers and Web Search Portals

Sector workforce supply and demand, FY24-FY30



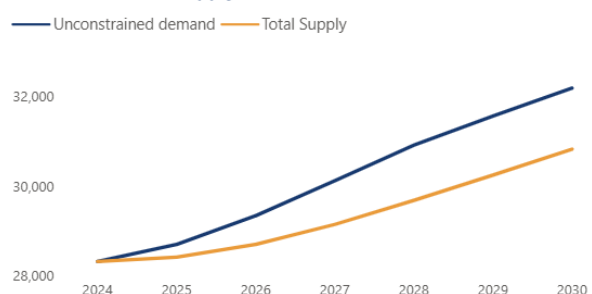
Business - Office Administrative Services

Sector workforce supply and demand, FY24-FY30



Business - Scientific Testing and Analysis Services

Sector workforce supply and demand, FY24-FY30



Future Skills Organisation

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