

Election 2025: Skills, Education and Training Policy

March 2025



Key recommendations

Tertiary system reform

Prioritise continued progress towards a coherent, connected tertiary education system that:

- is supported by stable and flexible system architecture;
- reflects equitable funding between VET and higher education; and
- places student and industry needs at the centre of design and delivery

VET system design

Invest in a thriving VET system with quality public, private and enterprise based providers that meet industry and student needs

Better policy integration

Design economic and workforce development solutions together to better connect workforce demand and supply at national, state, industry (eg clean energy), occupational and regional levels

Lifelong learning

Support labour market entry and retraining to enable upskilling and reskilling of existing workers to meet industry needs

Apprenticeships

Provide stable policy settings for apprenticeships and traineeships that maximise commencements and completions through support for apprentice and employer participation

Work-integrated learning

Use policy levers to expand quality work-integrated learning and provide the support needed for the participation of industry partners

Foundation skills

Build efforts to raise the foundational language, literacy, numeracy and digital skills of Australians including a strong focus on vocational and workplace delivery

STEM

Set a baseline national standard; increase pipeline into STEM occupations including VET and higher education teachers; provide financial incentives for mid-career reskilling

Leadership and management

Support the tertiary education system to design, develop and deliver the leadership and management development programs industry needs

Sustainable diversity, equity and inclusion strategies

Embed systemic strategies and programs that enhance diversity, equity and inclusion and lift productivity

The challenge

National reforms around skills, education and training are key to driving sustained improvement in the skills pipeline, the renewing of skills and re-igniting productivity. A wide range of reforms across VET and higher education have commenced in the past couple of years, and yet improved approaches, further progress and greater investment will be required moving into the next three years.

A number of key challenges obstruct our skills landscape as we move into the second half of the decade. Employment is expected to grow by around 950,000 people (6.6%) over the next five years¹ and with persistent skill gaps and the requirement for higher-skilled occupations, the pressing need for a huge uplift in Australia's skills pipeline must be tackled.²

Ai Group's Industry Outlook 2025 shows 75% of businesses were affected by workforce shortages in 2024 and 71% expect these shortages to continue in 2025. Skilled labour shortages is one of the top inhibitors to business growth, remaining as one of the top three from 2024.³

Consistent with this, the World Economic Forum (WEF) Future of Jobs Report 2025 finds the percentage of Australian employers identifying skill gaps in the local labour market as the major barrier to business transformation has increased since 2023 to 65%. This increasing concern by Australian employers corresponds with them viewing the inability to attract talent to their industry as a key business challenge, and is higher than the global average.⁴

Ai Group's 2024 skills survey found the proportion of businesses having trouble finding or training staff to meet their skill requirements increased in every occupational group since 2022. 79% reported difficulties in finding Technicians and Trades Workers, 61% had difficulties finding Professionals, and 58% difficulty finding Managers, followed by a lack of Machinery operators and Sales workers.⁵

Persistent shortages are increasingly multi-faceted - caused by drivers of job transformation, such as the ageing and declining working-age populations, technological advances and constraints in the supply of qualified and experienced workers.⁶ And as we move into the future, we are trending towards higher-skilled occupations, with around 92% of new jobs anticipated to require post-secondary education over the next ten years according to Jobs and

¹ Jobs and Skills Australia Employment Projections, <https://www.jobsandskills.gov.au/data/employment-projections>

² Commonwealth of Australia (2024), Better Together - The Jobs and Skills Report 2024, December 2024

³ Australian Industry Group (2025), Australian Industry Outlook for 2025,

⁴ World Economic Forum, Future of Jobs Report 2025, January 2025

⁵ Australian Industry Group (2024), Listening to Australian businesses on workforce and skills: Skills in demand in 2024., June 2024

⁶ Commonwealth of Australia (2024), Better Together - The Jobs and Skills Report 2024, December 2024

Skills Australia (JSA).⁷ This places even more pressure on developing the right levels of skills and capabilities as the volume of graduates is increased.

Balancing migration and international student numbers with domestic skills supply to maximise Australia's workforce is still needed. 45% of Australian employers favour changes to immigration laws to attract global talent as a strategy to address the increasing need for skilled talent.⁸

The digital and AI revolution and net zero transformation create huge opportunities for businesses but create new demands on the current and future workforce. According to the WEF Future of Jobs Report 2025, the fastest-growing jobs in Australia are AI and Machine Learning Specialists; Data Analysts and Scientists; and Sustainability Specialists.⁹ There is also the volume of growth in Frontline and Services jobs, for example, to meet demand for care and support services now and into the future. Major workforce shortfalls exist now and are predicted into the future for other Services sectors.

Investing in Australia's skills and capability can improve lagging productivity and enable other economic and social benefits. It can lead to a broad range of productivity enrichments including digital technologies, infrastructure investment, productivity in the care and education sectors, and the opportunities from a net zero transition.

The upskilling and reskilling of existing workers is crucial, not only to counter the challenges already mentioned, but in the face of ageing and declining-working age populations. Capability development for people in work to effectively harness digital technologies is also needed.

Priority areas for action

Tertiary system reform

A coherent and connected vocational and higher education system should be prioritised, supported by flexible system architecture that gives appropriate weight to knowledge, skills, their application; and enables lifelong learning. A critical step is raising the status of skills relative to knowledge. Progressing reform of the Australian Qualifications Framework, as proposed by the Review of the Australian Qualifications Framework, is overdue and will reform the current rigid approach.

⁷ *ibid*

⁸ World Economic Forum (2025), Future of Jobs Report 2025, January 2025

⁹ *ibid*

Industry must be at the centre of this design and be deeply engaged in any skills and tertiary education governance bodies. How reforms are connected to industry will be critical to the way they translate into improved productivity.

Balancing the VET and higher education sectors means ensuring there is parity in status, and fair and cohesive funding arrangements to achieve the right mix of graduates from both sectors. Industry needs sufficient graduates with qualifications from both sectors now and in coming years in addition to an increase in the volume of the pipeline of graduates.

Each of these sectors has unique strengths and both are critically important to our future, not in isolation but as a cohesive system working in partnership with industry. While some incremental progress has been made, the job has only just begun. Incremental reforms, while important, must not distract from bold ambition. It is essential that there is momentum and progress towards a coherent and connected tertiary system through harmonisation efforts.

VET system design

As reforms progress, the opportunity is to provide public funding for the tertiary education system at a level that enables high quality outcomes and supports inclusion across both VET and higher education. In recognition of the value to Australia of a high-quality, thriving VET sector, investment in the sector must increase. Commitments of additional Commonwealth funding of \$1.3 billion for agreed reforms through the National Skills Agreement need to be bolstered by further examination that results in fair and cohesive funding arrangements across the two sectors and between levels of government.

Additional funding for VET must enable both public and high-quality private VET providers to succeed. Employers and individuals benefit from a robust system that ensures the delivery of a variety of education and training to diverse types of students. Australia has a diverse VET sector, with a mix of public and private providers, including enterprise registered training organisations, offering skills training across the broad spectrum of industries. TAFEs are a critical part of this mix, however private providers have an important role to play. They can provide specialist training in fields that are too narrow for the public system to offer and they can develop innovative ways of training. An example of this is training delivered in workplaces. This rewards innovation and reflects healthy competition in the sector. A high-quality VET workforce, crucial in developing vocational skills and supporting increasing worker pipelines, is necessary to sustain both public and private providers.

Along with this, closer partnerships and initiatives between VET, higher education and industry will encourage innovative practices that meet industry's needs. With increasingly higher-level skills being demanded by industry, more roles are requiring knowledge and skills that span the two tertiary sectors. Closer relationships also provide opportunities for collaboration on work integrated learning, research and other teaching and learning initiatives.

Better policy integration

Economic and workforce development solutions need to be designed together, connecting workforce demand and supply with a national, industry, occupational and regional focus. This requires an evidence-based, industry-aligned approach to tertiary education policy, investment and provision.

Effective matching of skills demanded by industry and those supplied through the labour market is critical¹⁰. Reasons for inefficient labour markets include a mismatch between skills and location of potential workers, and the requirements, remuneration, and location of jobs.

Strategies to better plan for emerging and future skill needs, including data and intelligence gathered through industry, are promised through the new architecture comprising JSA and Jobs and Skills Councils. The impact of this new architecture is yet to be measured, which needs to occur. However Australia needs stability in its skills architecture and time for reform to bed down. Given the ongoing shortages in occupations such technicians and trades that are in high demand across multiple industries, there is also a need to work across industries to ensure sufficient workforce supply, with clear lead organisations identified. It is also important that national and industry level workforce planning be enhanced by place-based workforce planning outside of major cities.

Lifelong learning

Labour market entry, upskilling and retraining must be supported through policy settings such as 'second chance' learning, funded micro-credentials and more flexible apprenticeship pathways.

The upskilling of existing workers is a huge challenge, with the ageing and declining-working age populations having an impact on job transformation for 53% of Australian employers, a higher rating than the global average at 40%¹¹. Maximising the capability of this cohort will interconnect with increasing productivity and drive a more productive economy.

Employers need increased access to readily available short programs at a range of skill levels, spanning VET and higher education, to upskill and reskill existing workers and to transition existing workers from declining sectors. The expansion of micro-credentials, skills sets and other innovative short form credentials should be aligned to the skills needed in the labour market. This will be important for across a range of areas, including to benefit from a digitally enabled workforce.

Creating a lifelong learning system will enable individuals to navigate the system and clearly demonstrate their skills and capabilities to employers. An Australian 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.

A lifelong learning funding model, underpinned by a coherent framework of learning entitlements and income-contingent loans for VET and higher education students will further embed the system. In designing this model, it should be recognised that employers already make a large contribution to training. For example, Ai Group's 2024 Australian Industry Expectations report found staff training top of the investment priority list along with business process improvement.¹² Our Skills Survey in 2024 also found over three quarters (77%) of the

¹⁰ Mackey, W., (2024), Labour market matching across skills and regions in Australia, 2024

¹¹ World Economic Forum (2025), Future of Jobs Report 2025, January 2025

¹² Australian Industry Group (2024), Australian Industry Outlook for 2024, January 2024

businesses surveyed would be re-skilling existing staff on the job over the following 12 months.¹³

Given the rapid change in digital technologies, it is important that existing workers have every opportunity to reskill and upskill. Consideration of Singapore's SkillsFuture program, which provides financial incentives to mid-career workers to reskill and upskill, could assist.

Alongside technology skills development, should be the development of generic skills, such as analytical thinking; resilience, flexibility and agility; and curiosity and lifelong learning, which are the top three core skill areas increasingly used by Australian employers as technology advances.¹⁴ It is vital for industry that these human capabilities are explicitly cultivated through the VET and higher education systems.

Apprenticeships

Apprenticeships provide opportunities to apply learning across the economy and are a key mechanism for support and integration into the workforce. Employers play a central role in this work-based training pathway. Incentives for employers and apprentices to participate in the apprenticeship system are key strategies that governments can take to raise the number of commencements and improve completion rates and recognise the costs employers incur in employing, training and supervising apprentices. Carefully targeted incentives for apprentices can help some complete, rather than leave early for financial reasons.

Commencement incentives should be provided to employers across industries, regardless of size, with additional incentives for employers to attract and retain apprentices in priority sector and skills shortage occupations. Additional incentives would also assist employers to attract and retain apprentices in underrepresented cohorts.

Ai Group does not support suggestions that companies with more than 200 employees lose their eligibility for apprenticeship incentives. In the 12 months to 30 September 2024, employers with over 200 employees were responsible for a quarter (25.8%) of trade apprenticeship commencements and over half (54.2%) of non-trade apprenticeship commencements. In raw numbers that equates to 20,700 out of 80,100 trade commencements and 40,000 out of 73,700 non-trade. And over the same time period, mid size employers in the 200-999 category were responsible for 15.3% of trade apprenticeship commencements and 26.3% of non-trade apprenticeship commencements.¹⁵

Larger employers also play an important role in employing diverse cohorts and regionally based apprentices. For example, employers over 200 workers employ more than two fifths (43%) of all

¹³ Australian Industry Group (2024), Listening to Australian businesses on workforce and skills: Skills in demand in 2024, June 2024

¹⁴ World Economic Forum (2025), Future of Jobs Report 2025, January 2025

¹⁵ National Centre for Vocational Education Research, Apprentices and trainees 2024: September Quarter

Indigenous apprentices, half (50.3%) of women in non-traditional trades and half (51.6%) of all apprentices from a non-English speaking background.¹⁶

All employers incur costs to develop apprentices and trainees, and all need to justify those costs. Each employer must consider how an apprentice's lack of experience and need for supervision and training is balanced by the training wage and the incentives, and how that balance compares with a skilled, or unskilled, employee. These considerations should be recognised through the incentive regime.

There have been recent discussions about the effect of cost of living on a person's decision to apply for an apprenticeship, or on an apprentice's or trainee's decision to stay with the job or leave it for another better paying one. Since the average age of an apprentice shifted from teenager to young adult, this has been the case, regardless of the state of the economy.

Ai Group does not support a general increase in apprentice/trainee wages because of the current cost of living. Apprentice and trainee pay rates are lower than full-time rates because they are a training wage. Their wages are set at a rate that takes into account their lower productivity in the early stages, the extra time an employer takes to train them, and the time they need to spend away from work to attend classes. Measures to address the cost of living should focus on non-wage payments. Examples could include tax concessions for apprentices, Living Away From Home Allowance, temporary eligibility for Rent Assistance, access to concession cards, or even free public transport.

Apprentice supervisor training about the responsibilities of the employer and good supervision and mentoring techniques, as part of an improved support network, is needed. It could be a condition for new employers or for those who have had previous issues to attend in order to be eligible for incentives. Optimal recruitment practices for apprentices should be included in the supervision training since often cancellations occur in the first months of a training contract.

It is also important to raise awareness of apprenticeship and traineeship pathways with eligible candidates, and present the careers they lead to as equally desirable to other options.

As a country, we should be looking at ways to expand the apprenticeship model beyond the traditional trade area. The model itself has the highest employment outcomes of any skilling program at any level. The National Centre for Vocational Education Research recently reported that more than 95% of trade apprentices were employed after they finished their apprenticeship. There is enormous potential for exploring opportunities to expand the model to higher levels, including at the degree level. We support the current intention by Skills Ministers to examine the barriers to developing apprenticeships at higher levels.

Finally, improved data collection to understand non-completions and track apprentices' further education pathways is needed.

¹⁶ .ibid

Work-integrated learning

Work Integrated Learning (WIL) must be significantly upscaled. Collectively we must increase learning and work interactions between companies, universities and students during a student's learning journey.¹⁷ 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. It is central to students graduating with relevant skills and to support productivity in the workplace.

Through its members, Ai Group sees many quality and innovative pockets of work-integrated learning where formal education and training is augmented in the workplace over time. Examples include companies introduced to WIL for the first time through Ai Group's state-funded brokering programs, after which they have embedded WIL practices, seek students regularly and maintain mutually beneficial relationships with universities. Involved companies have expressed the great value of WIL to their business and in most cases the students are targeted for future employment after completing their studies. One company has stated that access to students through the WIL program has provided some of the 'best and brightest young people in the state'.

Conversely other companies have expressed frustrations with their own efforts to engage with universities. We hear from some companies of uncertainty around how to approach a university or who to approach; that a lack of information about what opportunities for industry engagement are available creates a hesitancy; and that a lack of flexibility to accommodate industry needs can create barriers. More effort is required to strengthen the opportunity for meaningful engagement between universities and industry.

WIL is all about partnering – it is one practice that has to bring together different parties: students, universities, industry, governments all have to be partners in some form. In Australia leadership and collaboration between industry and educational bodies has been significant and demonstrates the critical role leadership can play in advancing WIL. The 2016 National Strategy for WIL in University Education has been renewed by its original partners (Ai Group, ACCI, BCA, Universities Australia and ACEN). The new Strategy calls for a national WIL infrastructure and includes commitments to quality WIL by all partners – including governments, outcome measures, the need for national data collection, and resource commitments. It should be embraced by governments to inform WIL policy settings.

Small and medium sized businesses in particular need time and resources to involve, supervise and mentor students within their operations. There is a need for governments to introduce further incentive schemes for employers to encourage participation in WIL activities, wage subsidies, and priority schemes for regional industries and for those with acute skills gaps.

¹⁷ Australian Industry Group (2024), Connecting to maximise knowledge and skills: Companies and universities working together, May 2024

Foundation skills

Language, literacy and numeracy skills are fundamental to individuals' participation in education, careers and lifelong learning. Increasing a person's literacy and numeracy levels can have a direct and positive impact on their future economic and social wellbeing. These skills are essential components in increasing workforce participation and productivity, and provide wider benefits such as social inclusion.¹⁸

Research shows that the higher the level of education, the greater the employer satisfaction with literacy and numeracy outcomes of school leavers, VET and university graduates. However Ai Group research finds almost 9 in 10 employers are affected by low levels of literacy and numeracy directly related to a range of productivity measures.¹⁹ Efforts to raise the foundational literacy, numeracy and digital skills of Australians must be made, so they are better prepared for productivity-enhancing changes at the workplace level.

At the school level, urgent action is needed to address recent NAPLAN results, including clarifying funding arrangements. For adults, initiatives to improve foundational skills must involve building in vocationally-oriented delivery of foundation skills, tailored to workplace needs and in partnership with industry organisations. Employers have welcomed the expansion of the Skills for Education and Employment program (SEE) program. It is important that relevance to workplace contexts underpins this program and that there is the flexibility to embed language, literacy and numeracy (LLN) into vocational skills. This results in benefits for both employers and individuals, including alleviating the stigma of poor LLN.

Employers also report that digital skills are in demand and increasingly required across all industries. Importantly, digital literacy has been recognised as a key foundational capability, separate to technical skills. The development of policy frameworks that provide clarity around design, funding and delivery of digital literacy programs in the context of foundation skills, and supported across industries, is needed.

STEM

Action needs to be taken to arrest the decline shown amongst Australian school students in STEM in the latest OECD Programme for International Student Assessment (PISA) edition by ensuring there is a baseline standard at the foundational skills level. This is important across the breadth of the workforce, and also underpins the development of the higher-level STEM skills required in many industries and occupations.

There is the need for an increase in the pool of VET and higher education teachers and trainers who can deliver digital education and training across different qualifications. In VET, governments should support the movement of industry personnel into teaching positions

¹⁸ Mayer, D (2016), Exploring perspectives on adult language, literacy and numeracy, NCVER, 2016

¹⁹ Australian Industry Group (2024), Listening to Australian businesses on workforce and skills: Skills in demand in 2024, June 2024

through more flexible pathways into teaching. Fostering ongoing connections between industry and providers is also important so that teaching practitioners retain their industry connections, alongside strategies to shore up a pipeline of STEM workers into industry.

Leadership and management

There is a positive relationship between leadership and firm performance.²⁰ Yet, Australia continues to perform relatively poorly on leadership and management indicators. In Australia, the perception of management practices by employees has dropped notably over the last 15 years according to the International Institute of Management Development (IMD) survey and report.²¹

In future work scenarios, leaders and managers will need to integrate technology in the workplace, use analytics as a key tool, use culture as the new structure, build personalised learning cultures and proactively manage diversity and inclusion. Ai Group's 2024 research found only 35% of employers considered their managers able to embed AI into business operations.²² Given the increasingly complex environments that organisations operate in, highly effective leadership and management is more important than ever.

Australia's tertiary education system must be supported by government to design, develop and deliver the leadership and management development programs industry needs to underpin productivity and competitiveness.

Sustainable diversity, equity and inclusion strategies

Systemic strategies and programs need to shift the dial on diversity, equity and inclusion so that more women, Indigenous Australians, persons with disability and people from culturally and linguistically diverse backgrounds can access high value job roles. As well as supporting equity objectives, such strategies alleviate skills shortages and support productivity.²³

Given that Australian employers recognise the benefits of tapping into diverse talent pools and setting clear DEI goals as a prominent part of their talent strategies²⁴, they need to be supported by publicly funded strategies and programs that encourage diversity, equity and inclusion as core measures to increase skill levels, better match supply and demand for labour and increase productivity.

²⁰ Australian Industry Group (2024), Research Insight: the digital and AI revolution, jobs and skills, May, 2024

²¹ IMD World Competitiveness Ranking 2024, Country Profile: Australia, <https://www.imd.org/entity-profile/australia-wcr/>

²² Australian Industry Group (2024), The digital and AI revolution, jobs and skills, May 2024

²³ Jobs and Skills Australia (2023), Towards a national jobs and skills roadmap, October 2023

²⁴ World Economic Forum (2025), Future of Jobs 2025, January 2025

About Australian Industry Group

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 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 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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