

Auditor-General of Queensland

Report to Parliament No. 7 for 2007 Addressing Skills Shortages in Queensland

Executive Summary



1. Executive Summary

1.1 Audit overview

The shortage of appropriately skilled labour across Queensland and Australia has emerged as a significant issue for government and the wider community. Queensland has the tightest labour market it has seen in 30 years and industries and businesses across the state are experiencing major skills shortages.¹

The term *skills shortage* relates to the supply of and demand for labour in the labour market. Skills shortages occur when the demand for workers in a specific occupation exceeds the supply of qualified workers who are available and willing to work under current industry conditions.²

Having an appropriately skilled workforce is essential to Queensland's economic growth. Skills shortages not only impact on the Queensland Government's ability to achieve its economic and social objectives, but also on businesses and industries in Queensland.

This performance management systems audit assessed whether selected departments have suitable frameworks and systems in place to identify and address existing and emerging skills shortages in Queensland.

Although skills shortages are a major concern requiring action by many areas of government, the three departments selected for this audit have key roles in implementing the *Queensland Skills Plan (QSP)*,³ namely:

- Department of Education, Training and the Arts (DETA)
- Department of Employment and Industrial Relations (DEIR)
- Department of Tourism, Regional Development and Industry (DTRDI) (formerly the Department of State Development).

Further details on the QSP are outlined in Table 4.1 in Section 4.3.

1 *Queensland's proposed responses to the challenges of skills for jobs and growth – A green paper*, Department of Employment and Training, 2005, p3.

2 *Skills shortages: Concepts, Measurement and Implications*, Centre for the Economics of Education and Training, Monash University, 2003, p1.

3 *Queensland Skills Plan*, Department of Employment and Training, 2006 can be found at http://www.trainandemploy.qld.gov.au/resources/corporate/pdf/pol_qldskillsplan_0306.pdf

1.2 Audit opinion

The Queensland Government has taken considerable steps to address the skills shortages across the state. The QSP, announced in March 2006, aims to better match the supply of skills with industry needs and economic demands. It provides over \$1b in funding for new skills initiatives over the next four years.

The three departments subject to audit have a key role to play in implementing the QSP and I noted a degree of interdependency and coordination between them. However, there was no evidence of formalised coordination beyond this initiative and across the wider Queensland public sector. In addition, there are no whole-of-government systems in place to address skills shortage across Queensland.

Addressing skills shortages is not just about training. The four recognised streams for addressing skills shortages are:

- expanding skills supply through training programs
- expanding the potential labour pool through interstate and overseas immigration programs
- increasing the workforce participation of people who face significant barriers to obtaining and retaining employment
- improving recruitment and retention.

The focus of the QSP is mainly on training, especially vocational education and training (VET). Around a third of people employed in the trades in Queensland are not fully qualified.⁴ A significant number of apprentices are leaving their apprenticeships for higher paid positions in the workforce before completing their qualifications. I support the continued efforts to increase the completion rate of VET qualifications through effective implementation of the QSP.

I noted that despite increases in the number of people enrolling in tertiary education⁵, indications are that this growth remains insufficient to secure a sustainable skills base for Queensland.

4 *Queensland's proposed responses to the challenges of skills for jobs and growth – A green paper*, Department of Employment and Training, 2005, p12.

5 *Sustainable Queensland Volume 1*, Committee for Economic Development of Australia (CEDA), 2007, p44.

While I found no specific policy in place to address shortages in professional occupations (e.g. doctors, engineers, accountants), I recognise that qualifications gained through universities are largely a responsibility of the Commonwealth Government. Audit could not be provided with any documented evidence of formal consultation protocols between the Queensland and Commonwealth Governments on addressing professional skills shortages.

Programs in place to expand the labour pool include the Skilling Queenslanders for Work initiative and the Commonwealth General Skilled Migration Program. Improving the recruitment and retention of workers relies heavily on employers. The strategies used to recruit and retain workers are wide-ranging, including family-friendly workplace practices, development opportunities and improving workplace conditions.

Identifying skills shortages requires access to relevant and reliable data. State departments use data from the Australian Bureau of Statistics (ABS) and the Commonwealth Department of Employment and Workplace Relations to identify skills shortages. While the available data provides some understanding of skills shortages at the state level, I note there are significant limitations in both data sources such as small sample sizes and the inability to identify localised or specialised skills shortages. This impacts on DETA's ability to produce reliable future skills shortages' forecasts. I recognise that increasing sample sizes to improve the relevance and reliability of labour force data has cost and currency implications which cannot be easily resolved without significant investment across both levels of government.

I also identified potential improvements to the governance and reporting frameworks at two of the departments audited, and a greater need to measure and monitor the efficiency and effectiveness of the QSP's initiatives and underlying programs.

Identifying skills shortages

DETA is responsible for identifying skills shortages in Queensland. I found the department has suitable systems and processes in place to identify current skills shortages, including the ability to identify skills shortages by occupation group at the state level and trends over

time. DETA is also able to identify industry, employer and community needs relating to workforce skills and key factors contributing to skills shortages.

It is widely acknowledged that accurate forecasting for future skills shortages is complex and requires specific information. DETA uses data from the ABS *Census of Population and Housing* and the monthly *Labour Force Survey* which is regarded as the main source of labour force statistics. However, as the Labour Force Survey is based on a small sample of around 20,000 people Australia-wide, this impacts on the reliability of the conclusions that can be drawn from the statistics. DETA's forecasting ability is therefore restricted to limited indicative short-term future forecasts.

The lack of accurate data also limits the supply and demand analysis for individual occupation groups at the state level. Regional demand and supply analysis can only be done for groups of occupations (e.g. general practice medical services), rather than individual occupations (e.g. specialist medical services).

Understanding the factors contributing to skills shortages is necessary for developing strategies to address those shortages. While DETA is able to identify factors contributing to skills shortages, analysis of trade and associate professional skills shortages was last conducted two years ago and analysis for professionals was performed for the first time in December 2006 .

Addressing skills shortages

Overall I found the departments have suitable frameworks and systems in place to address skills shortages. DETA is responsible for implementing the QSP which includes 28 Skills Formation Strategies and the Skilling Queenslanders for Work initiative. Ten of the Skills Formation Strategies are managed jointly with DTRDI, while various private and public entities implement the remainder. DEIR is responsible for managing the Skilling Queenslanders for Work initiative.

DETA is currently developing an evaluation strategy for the QSP to assess its impact on achieving its objectives.

DETA has set up a QSP Steering Committee responsible for oversight of the QSP at a whole-of-government level. At the departmental level, both DETA and DEIR have units responsible for managing the initiatives and

underlying programs under the QSP.

The ten Skills Formation Strategies jointly managed by DETA and DTRDI are governed under an agreement and guiding principles. Reporting on these strategies occurs through the DETA reporting framework.

At DTRDI, reporting to senior management on skills shortages is not formalised and there is limited information sharing between the units.

1.3 Summary of recommendations

RECOMMENDATIONS

It is recommended that:

- 1. DETA takes a lead role across the public sector in enhancing coordination of responses to address skills shortages**
- 2. DETA and DTRDI develop and implement a state specific strategy for addressing skills shortages in professional occupations in consultation with major stakeholders such as the Commonwealth, universities and relevant industry groups.**

It is recommended that DETA:

- 3. further explores suitable research methodologies to assist in the identification of future skills shortages**
- 4. conducts regular analysis on the factors contributing to skills shortages for all occupational areas including professionals, associate professionals and trades**
- 5. ensures more information sharing between the relevant units responsible for identifying skills shortages and formalises reporting on skills shortages from these units to the relevant senior officer/s to ensure consistent understanding of skills shortages across the Department.**

It is recommended that DEIR:

- 6. evaluates the Skilling Queenslanders for Work initiative and its underlying programs on a regular basis.**

It is recommended that DTRDI:

- 7. in consultation with DETA, reviews and enhances the governance arrangements which oversee the industry-specific initiatives and develops a performance reporting framework to measure the efficiency and effectiveness of the initiatives for reporting to senior management.**
- 8. in conjunction with DETA, better matches the scope of the industry-specific initiatives to the two-year timeframe funded to develop industry-specific plans to address the skills shortages in Queensland**
- 9. as part of an ongoing evaluation of the Skills Formation Strategies Program and in conjunction with DETA, undertakes evaluations of the individual industry initiatives, once they have been passed to the relevant industry.**

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