

Submission to the Senate Select Committee on Productivity in Australia

Inquiry: Productivity in Australia Committee Initial Inquiry

Submitted by Skills Insight - Jobs and Skills Council

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About Skills Insight

Skills Insight is a Jobs and Skills Council funded by the Australian Government Department of Employment and Workplace Relations. We provide industry-led advice on skills and workforce needs across agribusiness, fibre, furnishing, food, animal and environment care industries. These industries underpin regional, rural and remote (RRR) communities and contribute to Australia's food security, biosecurity, environmental stewardship and sovereign capability.

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Acknowledgement of Country

Skills Insight acknowledges that First Nations peoples have been living on and caring for Country for thousands of years. This is respected in our values and the way we work.

Executive Summary

Productivity in Skills Insight industries is constrained by three linked factors: workforce capability, investable training and technology capital, and the feasibility of delivering education and training in regional, rural and remote (RRR) locations.

Evidence shows that misaligned policy settings can unintentionally reduce productivity by increasing safety incidents, constraining quality, or reallocating labour between sectors rather than expanding total workforce participation. This is particularly harmful in RRR labour markets where service continuity relies on small numbers of trained workers.

We recommend the committee prioritise eight actions:

1. Redesign RRR Vocational Education and Training (VET) funding to reflect real delivery costs, recognising location based barriers, trainer attraction costs, travel, connectivity and seasonal rhythms.
2. Design incentives and programs to grow total participation, not reallocate labour. This requires applying additionality tests to workforce programs and monitoring participation across industries and regions.
3. Enable co-investment in shared training infrastructure and mobile delivery in RRR areas, including concessional finance and matched funding for training capital.
4. Strengthen skills verification and trade recognition based on Training Packages, reducing duplication while maintaining safety critical safeguards.
5. Recognise First Nations people and communities as economic leaders and partners. Adopt free, prior and informed consent (FPIC) as standard practice, with appropriate benefit sharing and compensation.
6. Invest in enabling infrastructure (connectivity, energy, transport) as a prerequisite for technology adoption and productivity programs in RRR regions.
7. Support intermediary city development with First Nations leadership, exploring First Nations led or co designed city models.
8. Address occupational classification and skill level misalignment to ensure roles are assessed against actual capability requirements and risk profiles.

These actions lift productivity by reducing incidents and rework, accelerating technology adoption, improving compliance and market access, and expanding workforce participation in small labour markets.

This submission addresses priority topics in the committee's inquiry where Skills Insight has direct industry evidence and stakeholder guidance across agribusiness, fibre, furnishing, food, animal and environment care industries.

Productivity growth considerations across the economy

The committee's discussion paper defines productivity as the efficiency with which inputs are transformed into outputs, and notes measurement challenges, including gaps in non-market sectors and cyclicalities.

In industries working with Skills Insight, productivity is strongly influenced by:

- Access to capable labour in the right place and time
- Investment in capital and technology; and
- The settings that allow skills to be developed and recognised.

Where these settings are misaligned, attempts to improve productivity can unintentionally reduce it by increasing safety incidents, constraining quality, or shifting workforce between sectors rather than increasing participation.

The causal chain for productivity constraints in RRR areas is:

- RRR VET funding under prices delivery
- Registered Training Organisations (RTOs) reduce services or exit
- Training supply shrinks
- Employers rely on untrained labour or defer technology adoption
- Safety incidents, non-compliance and rework increase
- Measured productivity falls, and labour shifts to metro areas.

Breaking this cycle requires funding models that reflect real costs, enabling infrastructure investment, and monitoring systems that track total participation rather than sectoral reallocation.

A practical focus is the interaction between incentives, skills formation and regional investment conditions. A national policy lever that intends to raise participation or improve job matching can have different outcomes in RRR Australia if training supply and employer capacity are constrained. Evidence from national research shows that RTOs face multiple barriers to delivering VET in RRR areas and that local intelligence is critical because national and state datasets become less reliable at granular geographic levels^{i ii}.

Industry contributions to productivity, including the non-market sector

The industries represented by Skills Insight are capital- and capability-intensive and operate under safety, welfare, biosecurity and traceability expectationsⁱⁱⁱ. Productivity improvements rely on competent practice, risk management and quality assurance, particularly where work is conducted with live animals and plants, in isolated settings or under regulatory constraints.

Skills Insight stakeholders support policies that expand workforce participation. They also support improved decision-making concerning training delivery, especially for RRR Australia, taking into account a range of data and evidence which reflects a more realistic approach to establishing training prioritiesⁱ.

Incentives and schemes to attract workers should be designed to draw on additional labour participation, rather than shifting already engaged workforce to alternative industries. If settings are blunt—such as incentives that simply make one sector temporarily more attractive—they can shift workers from one industry to another rather than increase overall participation. This is particularly harmful in regional communities where industries share a limited labour pool and where service continuity can rely on a small number of trained workers. In many cases, shifting RRR workers between industries will involve changing locations, especially to urban areas.

In this context, consistent monitoring of participation across VET is important to understand whether policy is increasing the total skilled workforce or moving it around. A focus on additionality supports better evaluation, distinguishing genuine labour supply expansion from reallocation that may improve productivity in one sector at the expense of another. For productivity assessment, the distinction between expanding total skilled workforce participation, rather than reallocating existing workers between industries or locations is critical. Genuine supply expansion improves productivity across the economy. Reallocation may improve productivity in one sector while harming it in another, particularly in small RRR labour markets where service continuity depends on limited trained workers.

According to detailed studies by the Productivity Commission, investment in education and training is a proven contributor to productivity through skills development, reduced risk for businesses, improved job matching and safer work^{iv}. Jobs and Skills Australia has recently highlighted that productivity and participation are shaped by shifting skill demands and structural barriers, and that better alignment between education, migration and workforce planning can deliver stronger outcomes. For Skills Insight industries, the link between training and productivity is especially direct: higher skills lift community welfare and safety outcomes, reduce downtime from incidents, support adoption of technology, and improve compliance with market access requirements^v.

Barriers to training are intensified in RRR areas. National research on VET delivery in RRR Australia identifies that RTOs face location-based and student-based barriers, and that higher and additional costs challenge the viability of delivery in these locationsⁱ.

This is consistent with reported stakeholder experience: dispersed clients, additional travel, trainer attraction difficulties and connectivity constraints raise costs and risk (including higher oncosts due to higher risk), while many industry training programs require access to workplaces, animals, plants, land or specialised equipment. A further constraint is 'industry rhythm'. Work with animals and plants occurs year-round, and peak operational periods often do not align with standard education timetables, limiting the feasibility of off-site delivery.

Stakeholders report long-standing efforts to demonstrate that current RRR VET funding approaches are poorly structured and inadequately implementedⁱ. As the National Centre for Vocation Education Research (NCVER) research shows, better provision may require funding arrangements that recognise the diversity of place, coordination of demand and the facilitation of partnershipsⁱ. A shift from simplistic loadings and ad hoc grants to a funding model grounded in realistic costs and delivery conditions would support training supply, improve workforce capability and lift productivity.

Investment and productivity

The discussion paper notes that investment is a key driver of productivity. In regional, rural and remote (RRR) Australia, investment constraints are amplified: the cost of finance is often higher and local investment vehicles are limited, reducing the pace at which firms and communities can invest in both productive capital and workforce capability.

Regional investment settings shape productivity through two reinforcing channels. First, they affect productive capital—plant, equipment and technology. Second, they affect human capital, because training and assessment infrastructure (for example facilities, equipment, farms, workshops, animal care settings and simulated environments) requires capital, yet training is rarely treated as an investable priority outside direct employer expenditure for existing staff^{vi}. Where RTOs or community providers attempt to build capacity, they face the same constraints as businesses: higher finance costs, uncertain demand (including seasonal work patterns) and difficulty achieving scale. The result is a weaker local skills ecosystem and slower productivity uplift.

Technology adoption in RRR areas is further constrained by gaps in enabling infrastructure. Training providers can struggle to access current equipment and to recruit trainers who hold both industry currency and the training and assessment qualifications required in VET. Connectivity constraints also raise cost and delivery risk. Many industry training programs require access to workplaces, animals, plants, land or specialised equipment—inputs that are harder to coordinate in dispersed regions. Productivity programs and technology incentives therefore need to be co-designed with enabling infrastructure investment; without coordination, incentives are more readily taken up in metropolitan areas while RRR regions remain constrained and the national productivity gap widens.

These constraints are compounded by the flow of revenue out of many RRR areas into urban and international economies^{vii}. When earnings do not remain locally, communities have reduced capacity to reinvest in skills ecosystems, training facilities and enabling infrastructure, reinforcing a cycle in which both labour and capital remain constrained.

We recommend the Committee examine how regional investment and skills settings interact, including: options to improve access to finance, targeted enabling infrastructure investment that supports technology diffusion and training delivery, and stable training funding that underwrites capacity in dispersed markets. These approaches are more likely to lift productivity than narrow incentives that temporarily alter relative wages between sectors. Special consideration should be given to small businesses in regional areas, including proposals put forward by the Council for Small Business Organisations^{viii}.

First Nations economic leadership and productivity

Jobs and Skills Australia notes that structural and regional labour market frictions limit growth and that unlocking inclusive participation is essential to productivity^{ix}. A major barrier in RRR Australia continues to be the underutilisation of First Nations workers and the barriers to developing First Nations enterprises.

There is a significant opportunity to lift productivity by recognising First Nations people and communities as economic leaders and partners, not simply as cohorts to be engaged^x. First Nations people hold traditional and cultural knowledge of Country and have expertise that can contribute to scientific, research and implementation endeavours in land, water, animal and ecosystem management.

Where knowledge sharing is agreed through free, prior and informed consent by knowledge holders, it should be recognised and compensated appropriately^{xi}. This approach supports Closing the Gap objectives related to employment and economic participation, and improves the quality and legitimacy of projects that rely on Country-based knowledge.

Productivity in regional Australia

Productivity in regional industries has been improved through technology adoption and advanced Research and Development (R&D). In agriculture and related sectors, technology is usually workplace-based, including precision systems, sensors, automated machinery and digital compliance tools. This has been supported by workforce shortages and by support from R&D bodies, including the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Rural Research and Development Corporations, and goes some way to explaining the ongoing growth in productivity in agriculture, fisheries and forestry.

However, uneven distribution remains a challenge. Where technology is embedded in workplaces, training providers may struggle to access current equipment and to recruit trainers with both industry currency and the training and assessment qualifications required in VET^v. This reinforces the importance of workplace-based and hybrid delivery models and highlights why training investment is integral to productivity.

Workforce capability beyond technical skills.

While technical skills are essential, Skills Insight industries are capital and capability intensive and operate under safety, welfare, biosecurity and traceability expectations. Productivity improvements rely on competent practice, risk management and quality assurance, particularly where work is conducted with live animals and plants, in isolated settings or under regulatory constraints. Management and supervisory capability affects work planning, resource allocation, quality control and safety outcomes. Training systems should support pathways that develop these capabilities, particularly delivery that fits operational rhythms including seasonal work patterns.

The discussion paper asks how strategies that encourage increased settlement in regional areas support growth, development and improved productivity. We

recommend the committee examine the potential role of intermediary (secondary) cities in supporting regional development, especially across Northern, Central and Western Australia^{xii}. A lack of intermediary cities contributes to capital outflows and limit the availability of services, education and workforce conduits needed for attraction of workforce and community members across RRR, impacting productivity^{xiii}. If intermediary cities are important for development, development will require engagement with First Nations title holders and the exploration of models that are First Nations-led or strongly influenced by First Nations priorities, including the potential need to design First Nations cities.

Service availability and workforce participation.

Productivity and workforce participation in RRR areas are affected by service availability, including childcare, housing, health and education. When services are unavailable or unreliable, workforce attraction and retention become difficult regardless of other settings. This creates a reinforcing cycle where limited services constrain population, limited population makes services unviable, and labour shortages affect both industry and service provision.

Intermediary cities offer potential to achieve service viability through population aggregation while still serving surrounding RRR areas. Policy should recognise that productivity in RRR industries depends not just on direct workforce programs, but on the broader conditions that enable people to live and work regionally.

Dynamism of Australia's labour market

Stakeholders support the removal of unnecessary or duplicative occupational entry barriers, but emphasise the need to distinguish unnecessary duplication from safety critical safeguards. Many stakeholders argue that occupational pathways are often not 'barriers' but safeguards that produce safe, effective and productive workers, particularly in sectors with higher safety risks, biosecurity responsibilities or strict market regulation.

A constructive area for inquiry is whether the National Training Packages are being properly utilised as a more uniform basis for trade recognition nationally, and whether trade recognition can address concerns about occupational entry while reducing duplicative regulation. For many roles, apprenticeship delivery offers value to workers and employers and provides access to incentives that support the level of training needed for safe, effective and productive work. An approach that emphasises recognition (supported by robust verification) rather than prescriptive regulation may help meet competing industry needs in a flexible way.

Stakeholders also report that some occupations are disadvantaged because entry roles are classified at lower skill levels in occupational classifications, resulting in reduced access to funding, incentives and skilled migration settings. Where job roles require high levels of safety, welfare, biosecurity or traceability capability, under-classification can dampen participation and reduce incentives for lifelong learning and upskilling.

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