



Australian Government
Department of Employment
and Workplace Relations

Impact Analysis

Australian Skills Guarantee Procurement Connected
Policy (PCP) guidelines

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Introduction

Each year the Australian Government spends billions of dollars on major projects that employ tens of thousands of workers. The Australian Skills Guarantee (the Skills Guarantee) will use this investment to help train the next generation of skilled workers.

The Skills Guarantee is an election commitment under the Australian Government's *Secure Australian Jobs Plan* that will introduce national targets for apprentices, trainees, and ICT cadets working on eligible major Australian Government funded building and construction and facilities management (construction) and information and communication technology (ICT) projects valued at \$10 million or more, from 1 July 2024.

The Skills Guarantee will also introduce national targets for women to increase the proportion of women working on major construction projects to drive long-term sustainable change to reduce gender segregation in the apprenticeship and traineeship career pathways.

At the Jobs and Skills Summit, the Government announced that the Skills Guarantee would include:

- targets to ensure more women benefit from the economic opportunities created by government investment, gaining skills and qualifications, and secure careers; and
- a focus on digital skills, acknowledging the numerous pathways into the digital and information technology sectors beyond apprenticeships and traineeships.

As part of the October 2022–23 Budget, the Government announced that the Skills Guarantee would apply to Australian Government funded housing projects, as part of the National Housing Accord.

This Impact Analysis (IA) seeks to evaluate the impact of the Skills Guarantee on individuals, businesses, communities and broader Australian society.

The IA has been prepared by the Department of Employment and Workplace Relations (the department) in accordance with the *User Guide to the Australian Government Guide to Regulatory Impact Analysis* issued by the Office of Impact Analysis (OIA).

The department recommends the Government adopt Option 2.

Status of the IA at each major decision point

Table 1: Impact Analysis at each major decision point

Decision point	Timeframe	Status of the IA
Initial announcement of Skills Guarantee election commitment	March 2021	No IA developed
Jobs & Skills Summit announcement of targets for women and focus on digital skills	September 2022	No IA developed
2022–23 Budget Submission: Australian Skills Guarantee	October 2022	The proposal was non-regulatory and therefore had zero regulatory cost (OBPR22 02777).
Design consultation on Skills Guarantee	November – December 2022	No IA developed. Stakeholders consulted on design of the Skills Guarantee, including potential impact.
2023–24 Budget: Announcement of full policy settings and funding	May 2023	Consulted with OIA and developed a Draft IA detailing that the proposal would have more than minor impacts (OBPR22-03681). This Draft IA covered Questions 1 to 4 in the <i>Australian Government Guide to Impact Analysis</i> , along with a section on the consultation process. Agreed to prepare an in-depth IA as part of the package for the Expenditure Review Committee to consider the Skills Guarantee PCP – originally scheduled for 2023–24 Mid-Year Economic and Fiscal Outlook; now included in 2024–25 Budget.
Consultation on draft Skills Guarantee PCP guidelines	October 2023 – January 2024	Stakeholders consulted about impact of Skills Guarantee PCP. Drafted In-Depth IA (Questions 1 – 7) and consulted with OIA on assessment process.
2024–25 Budget: Cabinet Submission	March 2024	1st pass assessment completed. 2nd pass completed based on first pass assessment Comments. 2nd pass assessment to be finalised with OIA.

Context

This IA considers the use of apprentices, trainees, and ICT cadets on major construction and ICT projects. For context, detail on what constitutes an ‘apprentice’, ‘trainee’ or ‘ICT cadet’, what classifies as a ‘major project’, and the types of construction companies undertaking major projects is provided below.

Apprentices, trainees, and ICT cadets

An apprentice is a person who is:

- employed under a training contract that has been registered with, and validated by, their State/Territory Training Authority;
- undertaking paid work and structured training which commonly comprises both on and off the job training;
- undertaking a negotiated training program that involves obtaining a nationally recognised qualification; and
- either directly employed by the supplier or sub-contractors, or indirectly employed through a group training organisation to work on an eligible project.

When referring to ‘apprentices’, the department includes apprentices and trainees. Both apprenticeships and traineeships combine learning at a training organisation and learning on the job. The only difference is the level of financial support a learner might be eligible for, which varies based on the state or territory they live in and what qualification they’re completing.

A ‘trade apprentice’ (also known as ‘trade trainee’) is a person who:

- is classified as an apprentice (see definition of apprentice above)
- works in a role that is classified as a ‘trade’.

‘Trade’ refers to sub-major occupations that are classified as ‘Technicians and Trades Workers’. Occupations are classified using the Australian and New Zealand Standard Classification of Occupations (ANZSCO).

‘ICT cadet’ refers to a paid employee who is working in the ICT sector and is employed in an entry-level role and undertaking academic study through either the VET or higher education system towards a qualification under the Australian Qualification Framework, where the employer has formally committed to providing the employee with on-the-job training and support to complete the specific course of academic study. The inclusion of ‘ICT cadet’ reflects that the ICT industry has alternative learning pathways to apprenticeships and traineeships.

Major projects

This IA considers applying requirements to Commonwealth procurements of major construction and ICT projects. These are construction and ICT projects with a total estimated procurement value of \$10 million or more.

Flagship construction projects

The IA also considers whether requirements should apply to flagship construction projects. These are construction projects with a total contract value of \$100 million or more.

Types of construction companies

Table 2 shows how construction companies are differentiated into tiers by the value of works they can undertake.

Table 2. Tiers of construction companies

Tier	Typical contract value	General turnover ¹
Tier 1	Billions and hundreds of millions	\$500 million to the multi-billions
Tier 2	Tens of millions	\$100 million or more, but under \$500 million
Tier 3	Around \$1 million	Less than \$100 million

Tier 1 and Tier 2 companies are primarily undertaking major projects (i.e., projects valued at \$10,000,000 or more) and will therefore be affected by the Skills Guarantee.

Tier 1 companies work on the largest and most significant infrastructure projects and are industry leaders. These companies deliver major commercial projects such as large infrastructure and institutions like roads, highways, railways, universities, shopping centres and high rises. These companies handle the full process from conception to completion and then they may sell the projects or hold as an asset portfolio. The department estimates there are between 10 and 20 Tier 1 construction companies.

Tier 2 companies play a major role in the construction industry, and typically focus on large-scale commercial projects and small to mid-sized infrastructure projects. These companies normally operate in education, retail, and industrial sectors. The department estimates there are between 20 and 30 Tier 2 construction companies.

Tier 3 companies typically work on smaller scale projects; these could be both residential and small-scale commercial jobs. Most of the building industry fall into this category. Tier 3 companies are often small family businesses, more exposed to economic fluctuations. The department estimates there are over 100 Tier 3 construction companies.

¹ Turnover is presented as the amount of money taken by a company over a year.

Question 1: The problem

The Australian construction and ICT workforce is facing skills shortages

Australia is currently experiencing persistent and critical skills shortages in many key sectors with 36% of all occupations experiencing shortages in 2023.² The current and future skills need in the construction and ICT industries will not be met based on national employment growth projections for these industries over the next five years from May 2023 to May 2028.³ The construction industry has one of the most severe shortages with 50% of technician and trade occupations experiencing labour shortages. All occupations in the Construction Trades Workers category (within the technician and trade occupations group) are in persistent shortage, which implies that the current tight labour market conditions are simply exacerbating shortage issues that appear to be chronic in the sector.⁴

Beyond construction, digital skills are one of the most rapidly growing and sought-after skills in the economy with demand expected to rise further in the future.⁵ Across all Information and Communication Technology (ICT) professional occupations assessed for the 2023 Skills Priority List (SPL), 69% were found to be in shortage compared with 36% across all occupations.⁶

Jobs and Skills Australia's (JSA) 2023 Skills Priority List, Key Findings Report, suggests that skills shortages are not simply caused by either high demand growth or weak flow of skilled workers into occupations, rather the interaction of both. The report notes that Vocational Education and Training (VET) and higher education pathways have an integral part to play in alleviating shortage pressures. It found that those occupations with VET as the primary pathway to the labour market had a large percentage of occupations in shortage. For example, almost half of Skill Level 3 occupations (47%), which typically require a Certificate III or IV are in shortage. Skill Level 3 occupations had the highest proportion of shortages out of all skill levels.⁷ The building and construction and maintenance services sector has a strong link to occupations with a clear apprenticeship pathway with around 124,440 apprentices and trainees in training in construction.⁸ Apprentices, trainees and cadets are therefore a key aspect of these skills shortages. In key and rapid growing industries, investing in these skill development pathways, including creating an environment to encourage greater use of apprenticeship and traineeship pathways, is critical to generating a pipeline of skilled workers to reduce skills shortages in the future.

² Jobs and Skills Australia, Skills Priority List 2023. <https://www.jobsandskills.gov.au/data/skills-priority-list>

³ Jobs and Skills Australia, Employment Projections. <https://www.jobsandskills.gov.au/data/employment-projections>

⁴ Jobs and Skills Australia, Skills Priority List 2023. <https://www.jobsandskills.gov.au/data/skills-priority-list>

⁵ Jobs and Skills Australia, Digital skills in the Australian and International economies. [National Skills Commission Annual Report 2020-2021 \(jobsandskills.gov.au\)](https://www.jobsandskills.gov.au)

⁶ Jobs and Skills Australia, Skills Priority List 2023. <https://www.jobsandskills.gov.au/data/skills-priority-list>

⁷ Jobs and Skills Australia, Skills Priority List 2023. <https://www.jobsandskills.gov.au/data/skills-priority-list>

⁸ National Centre for Vocational Education Research (NCVER) 2022, Australian vocational education and training statistics: [Apprentices and trainees 2022: June quarter \(ncver.edu.au\)](https://www.ncver.edu.au)

Sub-problem: Gender segregation is contributing to shortages

Historical stereotyping⁹, workplace culture, systemic harassment and bullying and unconscious biases across Australian workplaces can create disproportionate disadvantage for women and is reflected in the low numbers of women working in these sectors. A more agile labour market is required to meet the demands of digital transformation, energy transition and an ageing population. There is evidence that a more segregated workforce limits job mobility, stifles labour market flexibility and impacts productivity. The JSA Skills Shortage Quarterly Report in September 2023 spotlight piece, *'Is Gender inequality impacting fill rates?'*¹⁰ found from 2016 to 2023 there was a clear statistically significant downward trend filling job vacancies for male dominated occupations: the higher the gender inequality in an occupation the lower the recruitment fill rate. The JSA analysis noted that Automotive and Engineering Trades Workers, Construction Trades Workers, and Electrotechnology and Telecommunications Trade Workers with above 90% male workers, had the lowest fill rates. The Australian labour market has not been successful in bridging the gender gap on its own, with the proportion of women working in industries like construction only increasing slowly over time from a very low level.

Government intervention will be required to increase gender diversity in industries with a workforce that have been historically dominated by men. Women only made up 14.5% of the Australian construction workforce.¹¹ The number of women in construction apprenticeships was gradually increasing, until 2023 when the number of women declined (compared to 2022), with only 4.9% of current apprentices and trainees training in the construction industry being women.¹² Within the Computer System Design and Related Services subsector, only 31.1% of apprentices or trainees are women.¹³

Occupational segregation is not a new occurrence in the Australian workforce with 'traditional' gender-based roles, such as women working in childcare due to a caregiving and nurturing stereotype, and gender attitudes impacting choices of education and work to fit in with caring commitments. For example, gender segregation can be observed in enrolments in apprenticeships programs, including Supporting Apprentices and Trainees and Boosting Apprenticeship Commencements (a Commonwealth COVID-19 emergency wage subsidy program to support existing apprentices operating between 2020-2022). Apart from hairdressers (which is classified as a trade), women apprentices who were funded by the Supporting Apprentices and Trainees program more frequently came from non-trade occupations such as child carers, sales assistants and salespersons and general

⁹ Prime Minister and Cabinet, *Stereotypes are holding us back, National Strategy to Achieve Gender Equality - Discussion Paper* <https://www.pmc.gov.au/resources/national-strategy-achieve-gender-equality-discussion-paper/current-state/stereotypes>

¹⁰ *Jobs and Skills Australia, Is gender inequality impacting fill rates?* <https://www.jobsandskills.gov.au/news/gender-inequality-impacting-fill-rates>; <https://www.jobsandskills.gov.au/publications/skills-shortage-quarterly-report-september-2023>

¹¹ Australian Bureau of Statistics, *Labour Force, Detailed, Quarterly*, cat no. 6291.0.55.001, December 2022 release. abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/dec-2022.

¹² Departmental analysis based on NCVER June 2023 quarter data.

¹³ Australian Bureau of Statistics, *Labour Force, Detailed, Quarterly*, cat no. 6291.0.55.001, December 2022 release. abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/dec-2022.

clerks.¹⁴ On the other hand, top occupations for male apprentices who were funded by the Supporting Apprentices and Trainees program were all in trades including bricklayers, carpenters and joiners, electricians, plumbers and automotive electricians and mechanics.¹⁵

Increasing the number of women entering the construction and ICT industries could play a significant role in combating skills shortages, building a future pipeline of women role models and mentors to encourage more women to work in male-dominated industries. Choosing a career path they want to do, rather than what is perceived to be a more acceptable one in Australian society.

Increasing women's participation in these sectors is also an important aspect to achieving the goals in the 2023 report by The Women's Economic Equality Taskforce, within the Department of Prime Minister and Cabinet, *A 10-year-plan to unleash the full capacity and contribution of women to the Australian economy 2023–2033*, which sets goals to ensure:

- women can thrive in safe, respectful, secure, professionally paid work with access to high-quality flexibility in any sector or location
- women have opportunities for education and to develop skills across a lifetime through accessible, flexible and affordable education and training programs.¹⁶

Who is impacted by the problem?

Businesses

The tight labour market means many Australian businesses are facing challenges recruiting skilled workers, with 56% of recruiting employers reporting difficulty hiring staff as of January 2023.¹⁷ Comparing the beginning of the Skills Guarantee design phase with pre pandemic levels, job vacancies rose steeply, with an increase from 228,000 in February 2020 to 444,000 vacancies in November 2022.¹⁸ In August 2023, total job vacancies were 390,400.¹⁹

Chronic skills shortages can have a negative impact on productivity and supply chains, output, the well-being of existing staff, retention, and limits future-proofing business. Research on the impact of construction skills shortages on supply chains noted that the skills of the workers responsible for working at a construction site play an integral part in the project's success. When businesses cannot fill vacancies due to skills shortages, their capacity to complete projects is greatly reduced – resulting in

¹⁴ Youth Internet Management System (TYIMS) and Apprenticeship Data Management System (ADMS).

¹⁵ Youth Internet Management System (TYIMS) and Apprenticeship Data Management System (ADMS).

¹⁶ Women's Economic Equality Taskforce, Department of the Prime Minister and Cabinet (2023), "Women's Economic Equality: A 10-year plan to unleash the full capacity and contribution of women to the Australian economy".

<https://www.pmc.gov.au/news/womens-economic-equality-taskforce-final-report-government>

¹⁷ Jobs and Skills Australia, Recruitment Experiences and Outlook Survey – October 2023.

<https://www.jobsandskills.gov.au/data/recruitment-experiences-and-outlook-survey>.

¹⁸ Australian Bureau of Statistics. (2022, November). *Job Vacancies, Australia*. ABS.

www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release.

¹⁹ Australian Bureau of Statistics. (2023, August). *Job Vacancies, Australia*. ABS

<https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release>

delays, lost work, or reputational damage. Difficulties recruiting staff will also limit a business's ability to build the workforce required to tender for and undertake new work. It is important to note that while larger construction and ICT companies generally undertake major projects (with a contract value over \$10 million), skills shortages can affect companies of all sizes.

If businesses have a gender-based focus on recruitment and their workforce, it also limits their potential pool of staff.

The COVID-19 pandemic accelerated digitisation in the Australian economy including, retailers embracing e-commerce, schools undertaking online learning and virtual medical appointments. Technology continues to develop at an increasing rate making it difficult for the workforce to keep up. The CyberCX Cyber Skills Report 2022²⁰ and the JSA 2023 SPL Key Findings Report outline the significant skills shortage across the ICT sector. A RMIT Online and Deloitte Access Economics²¹ study considers the digital skills gap is costing Australian businesses \$3.1 billion annually and closing the current skills gap would take a \$1.5 billion investment. With insufficient new ICT cadets and ongoing workforce shortages, businesses must provide competitive higher salaries to attract and retain ICT staff.

Women

Women seeking to pursue employment or commence an apprenticeship or traineeship can miss out on opportunities. This is more prevalent in male-dominated industries, like construction or ICT, due to limited exposure to potential career pathways in school, narrow recruitment practices, and facing gendered discrimination by some employers and existing workers in the industries.

A range of organisational practices and processes, including informal recruitment processes, gendered workplace policies and a lack of mentors, role models and female leadership, have also been identified as key barriers to women's employment in the skilled trades.²² There are preconceptions about a woman's physical capabilities causing bias in recruitment practices and inclusion in the construction industry. One submission to the department cited concerns about the physical capabilities of some females in the construction workforce, particularly in roles that involve heavy lifting and labour. Women are more likely to observe bullying in the workplace during their training, around 30.9% per cent of women in apprenticeships reported observing bullying in the workplace.²³ According to the 2018 National Survey on Workplace Sexual Harassment, it is estimated that 51% of women (compared to an estimated 12% of men) working in construction had experienced sexual harassment.²⁴

Anecdotally, the department has also observed reports of women facing gender discrimination and harassment in the construction industry. For example, a case study revealed that one woman, as the only female on site, regularly received catcalls and inappropriate comments, and that she felt

²⁰ [Cyber Skills Report | CyberCX 2022](#)

²¹ [Digital-skills-gap-costing-australian-businesses-9-million-day RMIT Online March 2023](#)

²² [Bridges et al., 2019, 2020; Fielden et al., 2000; Galea et al., 2020; MacIsaac and Domene, 2014; Smith, 2013; Wright, 2013, 2016 \(https://journals.sagepub.com/doi/full/10.1177/10353046221096270\)](#)

²³ Derived from the 2019 Apprentice and Trainee Experience and Destination Survey.

²⁴ P58, <https://humanrights.gov.au/our-work/sex-discrimination/publications/everyones-business-fourth-national-survey-sexual>.

completely out of place. She noted that ‘the industry needs to create a better environment to respect and support women.’²⁵

The gendered nature of the construction and ICT industries also means women apprentices, trainees and cadets are underrepresented in these sectors at a time when 23.5% of the female Australian resident population aged 15 to 64 years participated in nationally recognised VET (compared to 25.1% of the male population)²⁶ and have higher attrition rate than many other industries.

Women are less likely to complete training, as part of their construction apprenticeship or traineeship, than their male counterparts as suggested by the higher attrition rate.²⁷ This high attrition rate is to the detriment of employers who are facing skills shortages, women already in the industry and women who are interested in entering the construction sector or commencing an apprenticeship. During the public consultations on the Skills Guarantee Procurement Connected Policy (PCP) guidelines, a number of stakeholders noted that women tend to leave apprenticeships or traineeships in construction due to poor working conditions, such as inflexible working arrangements and lack of gendered amenities. These conditions act as a barrier to women pursuing a career in the construction sector.

A Workplace Gender Equality Agency (WGEA) case study on attracting women to a male-dominated industry focussed on a mining company identified the main barriers for the company included the perception of mining as a ‘man’s domain’ with a ‘blokey culture’, a shrinking pipeline of qualified women in relevant professional and technical roles, and difficulty retaining women in fly-in fly-out site-based roles because of the extended periods away from family. As a key part of delivering change, the company had used target setting since 2010 to focus attention on goals within the organisation and to demonstrate a commitment to drive change – for example, the company set a target of having a 30% representation of women in their workforce by 2018. This target was accompanied by strategies to promote gender equality in the company’s recruitment practices, which included (but were not limited to) recruiting women into under-represented areas such as trades and technical roles, removing specific language from job advertisements and role descriptions (which might deter women from applying), and aiming to eliminate bias on recruiting panels. As a result of the recruitment target and the accompanying recruitment strategies, in the 12 months to December 2016, 24% of all new starters were female compared to 20% in the 12 months to December 2015.²⁸

As at January 2023, women’s workforce participation in Australia was 62.1%, and the female unemployment rate was 3.5%.²⁹ However despite these participation rates, segments of Australia’s labour market remain highly gender segregated, with little change to this trend over the past 20 years.

²⁵ 7 News (4 November 2023), A day after trying to take her own life, Melbourne tradie Bardie went back to work. She didn’t say a word. Jacqueline Mey. <https://7news.com.au/lifestyle/a-day-after-trying-to-take-her-own-life-melbourne-tradie-bardie-went-back-to-work-she-didnt-say-a-word-c-12411970>

²⁶ NCVER, 17 August 2023, Total VET students and courses 2022, <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/total-vet-students-and-courses-2022>.

²⁷ For 2017-18 commencing cohorts. Departmental administration data.

²⁸ Workplace Gender Equality Agency, Case study: Attracting women to a male-dominated industry. <https://www.wgea.gov.au/sites/default/files/documents/WGEA-St-Barbara.pdf>

²⁹ Australian Bureau of Statistics, Labour Force, January 2023 – Participation rate, seasonally adjusted, and unemployment rate, seasonally adjusted.

In particular, in the Australian construction industry, women make up only 14.5% of the overall workforce³⁰ and the current rates of women undertaking apprenticeships and traineeships in the industry is very low. In June 2023, 4.9% of apprentices and trainees in construction were women and 3.5% of apprentices and trainees were women in trade apprenticeships³¹.

The Department of Prime Minister and Cabinet, *A 10-year-plan to unleash the full capacity and contribution of women to the Australian economy 2023–2033* report, found that ‘we could add \$128 billion to the economy through boosting women’s workforce participation and productivity growth if we tackle the factors holding women back’. The report noted that gender segregation is one of these factors and that ‘despite women’s increasing labour force participation rates, gender segregation persists across the economy. For example, 76.2 per cent of employees in the ‘health care and social assistance’ industry are female, and 86.5 per cent of employees in the ‘construction industry’ are male’.³²

Apprentices, trainees, and ICT cadets

Without an opportunity to undertake an apprenticeship, traineeship or ICT cadetship career pathway can limit the exposure of future workers to develop real-world skills, limit their ability to adapt to changing workplace conditions and develop critical thinking skills. This includes continuing to build skills and understanding, better retain knowledge, and build relationships outside of conventional training institutions, with the additional benefit of earning while gaining formal qualifications.

When apprentices, trainees, and ICT cadets are not widely utilised in the construction and ICT industries, potential learners and workers miss out on a key entry-level learning pathway and the opportunity to develop the necessary skills and techniques for a career in the sector.

The gendered nature of the construction and ICT industries also means women apprentices, trainees and cadets are underrepresented in these sectors at a time when 23.5% of the female Australian resident population aged 15 to 64 years participated in nationally recognised VET (compared to 25.1% of the male population)³³ and have higher attrition rate than many other industries.

Australian public

Skills shortages have broader implications for the economy and the lives of everyday Australians by increasing the costs of goods and services and contributing to the delay in the delivery of major infrastructure projects.

JSA’s 2023 SPL Key Findings Report which details occupations in shortage, notes a key finding as ‘the cumulative effect of supply side constraints over the past 12 to 24 months that can lead to backlogs in

³⁰ Australian Bureau of Statistics, Labour Force, Detailed, Quarterly, cat no. 6291.0.55.001, December 2022 release. abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/dec-2022.

³¹ Based on NCVET June 2023 quarter data.

³² Women’s Economic Equality Taskforce, Department of the Prime Minister and Cabinet (2023), “Women’s Economic Equality: A 10-year plan to unleash the full capacity and contribution of women to the Australian economy”. <https://www.pmc.gov.au/news/womens-economic-equality-taskforce-final-report-government>

³³ NCVET, 17 August 2023, Total VET students and courses 2022, <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/total-vet-students-and-courses-2022>.

consumer demand, waitlist for services and the like. Unsurprisingly this cumulative effect on the ability of businesses to deliver the goods and services that consumers are demanding has been more readily observed, particularly in stakeholder feedback, throughout the 2023 SPL assessments than it was the case in 2022.³⁴

Where there aren't enough skilled workers, a business's output is lower and may not meet demand or quality expectations – leading to backlogs for services, consumer complaints or an inability to deliver products or services. This can have detrimental effects on the broader Australian public and economy. The Housing Industry Association (HIA) noted on 18 January 2023, that the shortage of skilled trades was the number one constraint on Australian builders. If the housing market lacks skilled workers and apprentices learning the necessary skills, this can exacerbate a housing crisis due to the business' reduced' capacity to build houses on time and within budget. This may cause more financial strain to not only the builders and the residential construction industry, but more broadly with insolvencies increasing as noted by the Reserve Bank of Australia (RBA), Financial Stability Review October 2022³⁵, but the Australian public. The RBA notes that builders have responded to challenges by raising the prices on new contracts, shortening the period before quote must be accepted and renegotiating some of their existing contracts. With fewer houses built and potentially less builders in the market, Australians may be forced to pay more for housing (whether buying or renting) or be pushed out of a particular region or the housing market altogether. This same issue could be evident in a government context as well, where a government implements a policy to build social housing for at-risk families and individuals. A reduced capacity to build houses would limit the policy's success – not meeting the policy intent for government to help the at-risk families and individuals. The impact of skills shortages on the Australian public is not limited to housing; however, this example demonstrates how the delay in goods and services can have broader implications for the Australian public.

With the proliferation of cyber threats and attacks, fraud and data theft becoming more sophisticated, the ICT workforce skills shortage can impact everyday Australians without a sufficient cyber security workforce, for example. The workforce shortages can have flow-on effects with not only an erosion of customer trust in online government services and businesses and financial losses because of insufficient cyber security, but increased ICT product, service, and support costs that can flow through to the consumer.

Data limitations in the ICT sector

There are varied pathways into the ICT sector. More data on these pathways is required before the department sets targets for the ICT sector.

One of the significant outcomes of the 2022 Jobs and Skills Summit highlighted a particular need for digital skills, with almost 70 per cent of ICT jobs experiencing a skills shortage according to Jobs and Skills Australia (JSA) data³⁶. ICT related categories accounted for 7.2 per cent of all Commonwealth

³⁴ Jobs and Skills Australia, Skills Priority List 2023. <https://www.jobsandskills.gov.au/data/skills-priority-list>

³⁵ [Financial Stability Review October 2022, Financial Stress and Contagion Risks in the Residential Construction Industry | Reserve Bank of Australia](#)

³⁶ [2023 Skills Priority List – Key Findings Report, Jobs and Skills Australia](#)

procurement contracts from 2020–2021 with investment totalling \$6.75 billion³⁷. ICT related categories also account for 47 per cent of all Small and Medium Enterprise procurement contracts³⁸.

What is currently being done

State and territory governments have implemented apprentice, trainee, and cadet targets

All states and territories (except the Northern Territory) have policies that set varying targets for apprentices, trainees and cadets on major state funded construction projects and some states and territories have targets for women to help train the next generation of skilled workers to address skills shortages.

The Victorian Government, for example, has an established Major Projects Skills Guarantee (MPSG) which took effect on 1 January 2016. The MPSG is part of the *Local Jobs Act* and requires contractors to deliver at least 10 per cent of labour hours using apprentices, trainees and cadets to all Victorian Government construction, infrastructure, civil engineering, and capital projects valued at \$20 million or above. The Act was further strengthened in 2018 to establish a Local Jobs First Commissioner and include the MPSG in law. All Victorian Government departments and agencies are also required to report Local Jobs First (inclusive of the MPSG) compliance in their annual reports. The Victorian Government has reported that the MPSG has been successful in supporting people by providing them with opportunities to work on high-value construction projects and gain the necessary skills to kickstart their new careers. They note that it has been applied to 265 projects which have committed to more than 12.6 million contracted hours for 5,355 apprentices, trainees, and cadets, and that the MPSG has provided people starting out their career with the opportunity to learn from experienced tradespeople on the job.³⁹

The NSW Infrastructure Skills Legacy Program (ISLP) aims to address skills shortages and increase diversity in the construction sector. The ISLP includes skills, training and diversity targets relevant to the Skills Guarantee, including:

- 20% of the Trades Workforce to be apprentices: Applies to contract value \$10m to over \$100m
- 2% of the Trades Workforce to be women: Applies to contract value over \$100m
- Report % of Women in Non-Traditional roles: Applies to contract value over \$10m
- 20% of the Project Workforce to be learning workers: Applies to contract value over \$100m

³⁷ [Statistics on Australian Government Procurement Contracts | Department of Finance](#)

³⁸ [Statistics on Australian Government Procurement Contracts | Department of Finance](#)

³⁹ Victorian State Government, Local Jobs First Annual Report 2021–22, https://localjobsfirst.vic.gov.au/_data/assets/pdf_file/0040/189859/Local-Jobs-First-Annual-Report-to-Parliament-2021-2022-PDF-22-mb.pdf

NSW have reported that the ISLP projects are demonstrating strong performance against the Infrastructure Skills Legacy Program targets.⁴⁰

The Queensland Government has committed to the 11 per cent target of the National Association for Women in Construction and is actively pursuing initiatives to exceed this target on projects.⁴¹ The '11% Strategy' is a holistic strategy focusing on 6 key priorities:

1. Attracting and retaining women in apprenticeships and traineeships
2. Developing industry pathways for women in para-professional and professional careers
3. Repositioning women as employees of choice in non-traditional careers
4. Passport to Diversity – changing the industry culture
5. Industry commitment to gender equality and accessibility to the trades
6. Recognising the skills of women already working in the industry

A recent Construction Skills Queensland, Women in Construction Report, has seen a 50% increase in apprenticeship uptake since actions from the 11% Strategy were implemented.⁴²

For more information about state and territory government policies, please see **Appendix A**.

Some state and territory governments have indicated that targets have been found to be successful in encouraging and supporting women, but definitions of the targets and how broadly they apply is important. It was also noted that increasing women on a job site will raise the profile of women's participation in construction and will over time encourage people to enter the industry and bring cultural changes to construction. One state suggested that the Commonwealth consider proactive education for businesses about the anticipated benefits of the Skills Guarantee to increase industry buy-in.

During consultations on the Skills Guarantee policy design, the department heard that stakeholders were generally supportive of state and territory targets; however, noted that targets need to be achievable and supported by other measures to improve working conditions for women. It was also noted there were reporting capability limitations that impacted further analysis of the existing state and territory approaches.

There are no state and territory governments that have apprentice, trainee, or cadet targets for major ICT projects.

International policy

According to the OECD, analysis of apprenticeship systems around the world shows that central to effective provision is the simple realisation that apprenticeships will only work well if they are

⁴⁰ [Infrastructure Skills Legacy Program | NSW Government](#)

⁴¹ [Women in construction | Department of Energy and Climate \(epw.qld.gov.au\)](#)

⁴² [QLD 11percentStrategy \(nawic.com.au\)](#)

attractive to both apprentices and employers.⁴³ Getting the cost–benefit balance right for the apprentice, trainee or ICT cadet, supplier and the Australian Government is essential for effective policy.

In England, the Olympic Delivery Authority set a target of 11% for women on projects for the London Olympic and Paralympic Games in 2012, but women comprised only 5% of the workforce.⁴⁴ While the target was not met, the participation rate of women in the manual trades workforce peaked at 3%, which was higher than the national average of between 1 and 2%.⁴⁵

More broadly, the UK Government’s Procurement Policy Note 06/20, ‘Taking Account of Social Value in the Award of Central Government Contracts’, states that ‘social value should be explicitly evaluated in all central government procurement, where the requirements are related and proportionate to the subject-matter of the contract, rather than just ‘considered’ as currently required under the *Public Services (Social Value) Act 2012*’. The Note states that procurements related to construction, capital investment and infrastructure projects above £10m should use the priority themes and outcomes provided – which include the objective to ‘create employment and training opportunities, particularly for people in industries with known skills shortages or in high growth sectors’ – in applying the Balanced Scorecard for Growth (PPN 09/16).⁴⁶ The Balanced Scorecard for Growth policy note (PPN 09/16) requires government buyers to adopt a balanced scorecard approach which serves as a tool to guide public procurers in balancing straightforward matters, such as cost against more complex issues such as social and wider economic considerations when designing their procurement approaches.⁴⁷

In Canada, employers bidding on government construction and maintenance contracts for Public Works and Government Services Canada, as well as Defence Construction Canada, are asked to sign a voluntary certification expressing their commitment to hire and train apprentices. However, this does impact the solicitation evaluation process.⁴⁸ This requirement does not include targets for use of apprentices on projects.

In New Zealand, Rule 18 of the Government Procurement Rules requires agencies who are procuring construction works valued at \$9 million or more (excluding GST) to:

⁴³ Organisation for Economic Compensation and Development (OECD) (2018) Seven Questions about Apprenticeships: Answers from International Experience, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris

⁴⁴ Wright and Conley 2020, Advancing gender equality in the construction sector through public procurement: Making effective use of responsive regulation. *Economic and Industrial Democracy*, vol.41, no.4.
<https://doi.org/10.1177/0143831X17745979>

⁴⁵ Wright and Conley 2020, Advancing gender equality in the construction sector through public procurement: Making effective use of responsive regulation. *Economic and Industrial Democracy*, vol.41, no.4.
<https://doi.org/10.1177/0143831X17745979>

⁴⁶ Crown Commercial Service, September 2020, Procurement Policy Note 06/20 – taking account of social value in the award of central government contracts, <https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts>

⁴⁷ Crown Commercial Service, October 2016, Procurement Policy Note 09/16: Procuring for Growth Balanced Scorecard, <https://www.gov.uk/government/publications/procurement-policy-note-0916-procuring-for-growth-balanced-scorecard>

⁴⁸ Government of Canada, Federal Contracts to Help Hire and Train Apprentices, <https://www.canada.ca/en/services/jobs/training/support-skilled-trades-apprentices/contracts.html>

- ask suppliers and their sub-contractors what they can do over the life of the contract to train new construction workers and develop the skills of existing ones
- consider the information suppliers provide about construction skills and training in their tenders, including applying weighting if using a weighted attribute evaluation model
- monitor contracts to make sure suppliers and their sub-contractors deliver the training and skills development they agree to, and
- consider the health and safety practices of suppliers and the training they provide to workers to ensure their health and safety.⁴⁹

No targets for major projects delivered through Commonwealth procurement

There are currently no targets for apprentices, trainees and cadets on major projects delivered through Commonwealth procurement. A national policy is needed to capture the Australian Government investment in major construction and ICT projects, support demand for apprentices, trainees and paid cadets and increase opportunities for women on major projects.

Australian Apprenticeships Incentive System (AAIS)

The reformed Australian Apprenticeships Incentive System⁵⁰ (Incentives System) provides targeted government investment to areas of skills in demand based on the Australian Apprenticeships Priority List to build a more inclusive and sustainable economy and increase commencement and completion rates of Australian apprentices. The Incentives System provides financial assistance to support employers and apprentices to assist with the cost of training, and to help apprentices with the cost of living while undertaking their apprenticeship.

⁴⁹ New Zealand Government Procurement, May 2021, Government Procurement Rules, <https://www.procurement.govt.nz/broader-outcomes/construction-skills-and-training/>

⁵⁰ [Australian Apprenticeships Incentive System Factsheet - Department of Employment and Workplace Relations, Australian Government \(dewr.gov.au\)](https://www.dewr.gov.au/australian-apprenticeships-incentive-system-factsheet)

Question 2: Objectives of Government action

The Australian Government needs to take leadership in using government investment in major projects to help build a pipeline of skilled workers and drive future economic growth.

As discussed in **Question 1**, states and territories have implemented policies to address the problem and sub-problem and have had success; however, these policies do not assist a broader range of all major construction and ICT projects undertaken by the Australian Government. As noted, skills shortages and gender segregation in the construction and ICT industries are long-term problems, which will require a multifaceted approach to address – including through intervention by the Australian Government. Without Australian Government action, the department expects skills shortages to remain an issue. Despite state and territory targets, gender segregation also continues to remain high, particularly in the construction industry. This is why action from the Australian Government is crucial. Building on state and territory targets, the Australian Government can leverage its significant purchasing power on its own major construction and ICT projects to increase the number of apprentices, trainees and ICT cadets, and women working in these industries.

The private sector cannot address skills shortage and reduce gender segregation alone

With critical labour and skills shortages constraining the Australian economy, businesses and industry are investing and implementing workforce strategies to address skills shortages, including internal supplier strategies, target setting, attraction and retention policies and plans for workforce gender equality and recruitment practices, implementing industry or internal supplier support mechanisms for employees, such as Mates in Construction⁵¹ or Build Like a Girl Australia⁵², and training programs. Industry Peak bodies, such as the Tech Council of Australia (TCA) are establishing industry forums to bring together employers and educators to discuss approaches to solve problems including attracting and training potential employees.⁵³

A WGEA case study shows an example of a company setting targets for female representation, reviewing language and decision-making processes, and reviewing its policies to ensure they are gender neutral and explicitly inclusive.⁵⁴ Another WGEA case study shows an ICT company implementing a training program targeted at women which involved a 16-week paid, part-time program including classroom-style basic coding for 8 weeks and working one-on-one with a 'dev' team member for 8 weeks.⁵⁵ However, these types of policies are being implemented by individual suppliers, meaning they are not coordinated or consistently applied across suppliers to have the wide-

⁵¹ MATES in construction is a charity that was established in response to a major report on suicide within the QLD Commercial Building and Construction Industry to reduce the high level of suicide among Australian construction workers by providing support workers and suicide prevention programs on sites. (mates.org.au)

⁵² Build like a girl is a registered Not-for-profit organisation run by women who want to help more women work in trades, including advice, support, and a jobs board of opportunities. (buildlikeagirl.com.au)

⁵³ The Digital Employment Forum was established by the Tech Council of Australia and Digital Skills Organisation to bring together major technology employers and educators. (techcouncil.com.au/wp-content/uploads/2022/08/2022-Getting-to-1.2-million-report.pdf)

⁵⁴ [Aurecon elevating women in STEM.pdf \(wgea.gov.au\)](#)

⁵⁵ [MYOB case study: Recruiting women into IT \(wgea.gov.au\)](#)

reaching impact at the industry level. The Australian Government can play a proactive role by helping more businesses build a skilled and diverse workforce. Importantly, the Australian Government has the capacity to make an impact at the industry level given its purchasing power and national reach – thereby building on businesses’ efforts and on state and territory policies.

Skills shortages are prominent in the construction and ICT sectors and appear to be caused by a combination of high demand growth and a lack of skills workers in the relevant occupations. As projections indicate that current and future skills need in the construction and ICT industries will not be met⁵⁶, the construction and ICT sectors can benefit from Government intervention aimed at increasing the supply of skilled workers.

Similarly, Australia’s labour market which includes segments of high gender segregation has shown little change over the past 20 years.⁵⁷ A number of structural problems underpin occupational gender segregation and – given the tight labour market and limited change over the past 20 years – the department does not expect the market to come up with a solution to address the issue alone, despite some companies, peak bodies and unions implementing strategies to help address the problems. The gendered nature of the construction and ICT industries means women apprentices, trainees and cadets are underrepresented in these sectors, resulting in various problems including bullying and harassment towards women, a higher attrition rate for women, and limitations for businesses looking to recruit staff (as discussed in **Question 1**). Broader cultural and systemic changes are required to encourage women into the construction and ICT industries. These industries could therefore be improved by Government intervention to increase the number of women in each industry.

There is an opportunity for the Government to increase the diversity of the construction and ICT workforces on major projects, particularly in roles in industries that have a low level of participation by women. Analysis from Jobs and Skills Australia shows that occupations with skills shortages are likely to have significant gender imbalance in their workforce, particularly towards male-dominated occupations.⁵⁸ In the Australian construction industry women make up only 14.5% of the workforce⁵⁹ and there are very low rates of women undertaking apprenticeships and traineeships in these industries.

Governments and the private sector have been increasingly working in partnership over the last 10 years to address gender segregation in the construction industry, with several initiatives introduced by state and territory governments to tackle gender equality in the construction sector. Some examples of initiatives include the Queensland National Association for Women in Construction target, the Australian Capital Territory women apprentice targets in key infrastructure projects, New South Wales mandatory targets for women in trades in the Infrastructure Skills Legacy Program and increasing women in construction industry targets by 2030, and Victoria Building Equality Policy women in construction targets.

⁵⁶ [Jobs and Skills Australia, Employment Projections. https://www.jobsandskills.gov.au/data/employment-projections](https://www.jobsandskills.gov.au/data/employment-projections)

⁵⁷ Workplace Gender Equality Agency, Gender segregation in Australia's workforce, April 2019.

⁵⁸ Jobs and Skills Australia 2023. [ministers.dewr.gov.au/oconnor/gender-imbalance-workforce-contributing-skills-shortages](https://www.ministers.dewr.gov.au/oconnor/gender-imbalance-workforce-contributing-skills-shortages).

⁵⁹ ABS, Labour Force, Detailed, Quarterly, cat no. 6291.0.55.001, December 2022 release.

Objectives of Government action

This IA considers government intervention in requiring the use of apprentices, trainees and ICT cadets by suppliers on major construction and ICT projects procured by the Commonwealth to achieve the following objectives:

Primary problem objectives

- Increase entry level pathways in construction and ICT sectors
- Increase commencement rates for apprentices, trainees and ICT cadets
- Reduce the current and future skills shortages in the construction and ICT sectors, including drawing on the underutilised female labour force

Sub-problem objectives

- Reduce gender segregation by increasing female participation in construction and ICT sectors
- Reduce female unemployment rates and increase female labour force participation

What success looks like

Effective government action can:

- create long-term demand and increase employment opportunities for apprentices, trainees and ICT cadets in construction and ICT industries
- build a pipeline of skilled workers to address skills shortages in the key sectors of construction and ICT
- reduce gender segregation and create more diverse construction and ICT workforces in Australia.

Information on the department's approach to evaluation is provided in **Question 7: Evaluation**.

Question 3: Policy Options

Option 1: Take no action and continue with the status quo

Under option 1, there will be no Government intervention, leaving the industry to address the problems outlined under **Question 1**. There will not be any targets for apprentices, trainees and ICT cadets applied to major projects that are funded exclusively by the Australian Government.

Noting that the Government has a range of initiatives underway to tackle the contributing factors and barriers to apprenticeship commencements and completions, under option 1 the department does not expect the total number of apprentices and trainees in construction that are women to increase substantively. There may also be some limited increase to the number of women apprentices and trainees in construction due to other initiatives.

Table 3 shows the percentage of apprentices in construction that were women and the percentage of apprentices in construction that were women in trade roles over the last 6 years.

Table 3. Percentage of apprentices in construction that were women⁶⁰

Financial year, Quarter 4	Women in construction apprenticeship roles	Women in trade apprenticeship roles
2018	2.7%	1.7%
2019	2.8%	1.9%
2020	3.1%	2.2%
2021	4.2%	2.6%
2022	5.2%	3.3%
2023	4.9%	3.5%

As **Table 3** shows, despite the increase in women in construction apprenticeship and trade apprenticeship roles since 2018, the percentages represent a very small proportion of apprentices in construction. The 2022 and 2023 figures suggest that the rates have plateaued and, without intervention, will not increase enough to effectively address the problems outlined under **Question 1**.

The department anticipates it would be reasonable to expect that, without intervention, the construction industry will continue to experience skills shortages and remain gender segregated and therefore more susceptible to skills shortages than other industries – resulting in a continuation of the problems outlined under **Question 1**.

The department does not foresee the status quo addressing the objectives outlined under **Question 2**, as it will: not increase entry level pathways; not increase commencement rates for apprentices, trainees, and ICT cadets; and will not reduce the current and future skills shortages in the construction

⁶⁰ Departmental analysis based on NCVET June 2023 quarter data.

and ICT sectors, including by drawing on the underutilised female labour force. Additionally, the status quo will not reduce gender segregation by increasing female participation in construction and ICT sectors or reduce female unemployment rates and increase female labour force participation – as evidenced by the plateau in the number of women in construction apprenticeship roles and in trade apprenticeship roles.

The construction and ICT industries will continue to face skills shortages – resulting in recruitment difficulties, project delays, and loss of work. Similarly, potential apprentices, trainees and ICT cadets will miss out on a key entry-level learning pathway, as will women seeking to pursue employment or commence an apprenticeship or traineeship. This will be detrimental to the Australian economy.

Option 2: Australian Skills Guarantee Procurement Connected Policy (PCP) guidelines

Option 2 is designed to address the problem identified at **Question 1** and meet the government’s objectives outlined at **Question 2**.

The Australian Skills Guarantee is a key election commitment under the Australian Government’s *Secure Australian Jobs Plan*. The Skills Guarantee was brought forward as part of the *Secure Australian Jobs Plan* as there are at least 70,000 fewer people doing an apprenticeship or traineeship than almost a decade ago. As part of the plan, the Skills Guarantee will train thousands of workers by ensuring one in 10 workers on major government projects is an apprentice, trainee, or cadet – with the intent to address skills shortages over the medium- to long-term and deliver secure jobs.

The Skills Guarantee PCP will use Commonwealth investment in major projects to ensure a targeted proportion of all labour hours worked on major projects are undertaken by apprentices, trainees, ICT cadets and women to help train the next generation of skilled workers.

The Skills Guarantee PCP will also introduce national targets for women to increase the proportion of women working on major projects and drive long-term sustainable change to reduce gender segregation in the apprenticeship system.

The introduction of targets aims to increase the number of entry-level pathways and commencement rates for apprentices, trainees, and ICT cadets in the ICT and construction sectors, with the objective to reduce the current and future skills shortages in the construction and ICT sectors. The targets for women are designed to increase the number of apprentices, trainees, and ICT cadets that are women working on major construction and ICT projects and thereby reduce gender segregation in the construction and ICT sectors, reduce female unemployment rates and increase female labour force participation.

As discussed under **Question 1**, target setting has found to be useful in state and territory and international contexts.

Whilst the department is presenting 2 options for the purpose of this impact analysis, multiple policy options were presented in the Australian Skills Guarantee Discussion Paper as part of an extensive consultation process in 2022 (see **Question 5** for more information). Options for the financial thresholds and targets for women were considered by a range of stakeholders across industry, unions,

state and territory governments, women’s advocacy groups and academics.⁶¹ During consultation, government and industry stakeholders emphasised the importance of supporting demand for apprentices, trainees, and ICT cadets, as well as increasing the representation of women in male dominated industries. The department’s consultation also focused on ensuring that the targets are achievable and reflect how industry and major construction and ICT projects operate (see **Question 5** for more information).

Scope

Industries

The Skills Guarantee will apply to Commonwealth procurement in the building and construction and maintenance services sector, which has the strongest links to occupations with a clear apprenticeship pathway. The Skills Guarantee will also apply to Commonwealth procurements in major ICT projects, for example in computer services.

The building and construction and maintenance services sector and the ICT sectors have been targeted because of the issues outlined in **Question 1** – they are both highly gender segregated sectors that are experiencing skills shortages. The construction industry is also familiar with these types of targets at a state and territory government level, which will help minimise the burden of the Skills Guarantee.

Project thresholds

Another key design factor for the Skills Guarantee is the financial threshold for a ‘major project’.

Financial thresholds for projects with targets for apprentices, trainees and ICT cadets vary in existing state and territory government policies, with minimum thresholds ranging from \$250,000 to \$50 million.

In 2022, the Skills Guarantee discussion paper proposed 2 potential thresholds. Stakeholder consultation found there was an even split between stakeholders in favour of a \$7.5 million and \$20 million threshold, with stakeholders noting a range of advantages and disadvantages for each.

Feedback indicated:

- A threshold of \$7.5 million may increase administrative burden; exclude smaller businesses from tendering out of concern about meeting the requirements; but would increase opportunities for apprentices and trainees on smaller projects, including in regional and rural areas.
- A threshold of \$20 million may alleviate administrative burden; allow smaller tenderers to be more agile and responsive when tendering; but would not cover as many projects as a lower threshold.

Several stakeholders also recommended the department consider alternative thresholds.

⁶¹ Department of Employment and Workplace Relations 2022, Australian Skills Guarantee Discussion Paper. <https://www.dewr.gov.au/australian-skills-guarantee/resources/australian-skills-guarantee-discussion-paper>

After consultation, the department set the financial threshold for a major project as \$10 million or higher. This threshold balances the need to capture enough projects to provide opportunities for apprentices, trainees, and cadets with minimising the burden on suppliers. This is particularly relevant for smaller suppliers, as the \$10 million threshold means that smaller suppliers will be less likely to be disadvantaged by the Skills Guarantee, including because of consequences for non-compliance.

While targets on major projects will apply to a portion of Commonwealth procurement, the Skills Guarantee PCP will provide a broader impact across the construction and ICT workforce to increase the pool of skilled workers available to work of future projects.

Targets for women

In determining the targets for women, the department considered consultation feedback that found strong support among women's organisations for initial targets that are achievable, but which could be scaled up over time. As such, targets for women are set just above the current rates of participation and will increase each year. This also aligns with experience implementing similar targets through the IPP, which has shown that progressively increasing value target can drive change in business practices.

Key policy design elements

The Skills Guarantee will be implemented through the Commonwealth Procurement Framework as a PCP with targets applying to tender processes for Commonwealth projects from 1 July 2024.

The Skills Guarantee PCP will apply to major building and construction and facilities management contracts (major construction projects) and major information and communications technology (ICT) contracts (major ICT projects) over \$10 million and above.

The Skills Guarantee PCP will introduce national targets for apprentices and trainees working on Australian Government funded major projects to drive steady demand for skilled workers and stimulate the uptake of apprenticeships and traineeships. It will also embed targets for women in apprentice, trainee, and paid cadet roles to diversify the pool of workers and reduce gender segregation on major construction and ICT projects.

The Skills Guarantee PCP will apply between a contracting agency and a supplier at the project level. A supplier on a Skills Guarantee project is responsible for ensuring that the labour hour requirements for each target are met in line with the PCP, including those of subcontractors.

Major construction projects

Under the Skills Guarantee PCP, major construction projects will be required to ensure a minimum of 10% of all labour hours spent on the project are undertaken by apprentices or trainees. If the major construction project estimates it will require 10,000 labour hours, for example, 1,000 labour hours are to be undertaken by an apprentice or trainee. Performance against the apprentice and trainee targets will be formally assessed at the conclusion of the contract.

The targets for women will depend on the project contract start date, however the initial targets from 1 July 2024, for construction projects will be 6% for women in apprenticeships and traineeships and 4% for women in trade apprenticeships and traineeships. This is above the current rate of women in

apprenticeships overall, and for women in trade roles. Performance against the targets for women will be assessed each financial year, based on reported labour hours.

To drive sustainable change, the targets for women for major construction projects will increase each financial year (**Table 4**). The targets will reach 12% for women in apprenticeships and traineeships, and 10% for women in trade apprenticeships and traineeships in construction by 2030.

Table 4: Annual increases of targets for women

Targets apply	Overarching apprentice target for women	Trade-specific apprentice target for women
1 July 2024 to 30 June 2025	6.0%	4.0%
1 July 2025 to 30 June 2026	7.0%	5.0%
1 July 2026 to 30 June 2027	8.0%	6.0%
1 July 2027 to 30 June 2028	9.0%	7.0%
1 July 2028 to 30 June 2029	10.0%	8.0%
1 July 2029 to 30 June 2030	11.0%	9.0%
1 July 2030 onwards	12.0%	10.0%

Outlining the path forward for the targets will support employers and industry with their business planning and focus sustained efforts on increasing the pipeline of women who are interested in these roles.

Flagship construction projects

In addition to the apprentice/trainee target outlined for major construction projects, there will be more ambitious targets for women in flagship construction projects with a total contract value of \$100 million or more. By requiring more ambitious targets on flagship construction projects, Australian Government policy can be used to build a critical mass of women on site to help shift cultures on projects and act as exemplars across the industry.

Suppliers will also be required to prepare Gender Equality Action Plans outlining how targets will be achieved, supplier recruitment and retention strategies and supports that will be in place for women. The Gender Equality Action Plans will also assist sub-contractors associated with flagship construction projects to plan and implement similar recruitment and retention strategies in accordance with the project supplier.

The \$100 million threshold impacts fewer projects of higher value where the cost of any associated changes in recruitment is more easily absorbed. Analysis of AusTender data suggests 8 Commonwealth funded projects in the 2022–23 financial year were worth \$100 million or more and would have qualified as a flagship construction project.

Major ICT projects

For major ICT projects, targets for apprentices, trainees and paid cadets, and targets for women, will initially be negotiated with suppliers on a project-by-project basis.

Targets will be based on workforce information provided by suppliers during the tender process. This approach will support the collection of data on entry-level pathways in the ICT sector to enable potential future development of targets for all major ICT projects.

Compliance

Contracting agencies are required to undertake six-monthly assessments and a final (end-of-contract) assessment for contracts with Skills Guarantee targets to ensure suppliers are either on track to meet or have met targets, and they are complying with their Gender Equality Action Plan (for flagship construction projects). Contracting agencies will be required to address non-compliance where necessary.

As part of the compliance approach suppliers will have the opportunity to provide reasons for non-compliance, including mitigating factors, for example, a shortage of apprentices in the supplier's location.

Details about the consequences of non-compliance with the Skills Guarantee are provided in the Skills Guarantee PCP.

Question 4: What is the likely net benefit?

This section presents an analysis of the potential costs and benefits of the 2 options explored in this IA. The analysis considers the extent to which each option is expected to meet the policy objectives at **Question 3**, potential impacts for tenderers, suppliers, apprentices/trainees and ICT cadets and government. The cost benefit analysis is difficult to quantify due to nature of the Skills Guarantee PCP and eligible construction and ICT Commonwealth procurement.

Regulatory burden estimates for Option 1 and Option 2 are provided in **Appendix B. Regulatory Burden Estimates**.

Option 1: No action, status quo

Benefits

There are limited foreseeable benefits under the status quo. While maintaining the status quo will provide industry with the opportunity to address skills shortages and gender segregation in the construction and ICT sectors, progress is likely to be slow and limited as it will be entirely driven by the sector. This approach may also will lack consistency and not effectively address issues. Without intervention the department expects the construction and ICT industries to remain gender segregated and to be more susceptible to skills shortages than other industries.

Businesses may benefit from being able to maintain their current recruitment practices and may avoid the cost of recruiting more apprentices or women apprentices. However, as noted earlier, this may be to the detriment of businesses and the industry by reinforcing skills shortages and affecting the capacity to complete future projects.

Costs

The costs of Option 1 are expressed as an opportunity cost. Maintaining the status quo results in a missed opportunity to leverage the significant purchasing power of the Australian Government to increase apprentices, trainees, ICT cadets, and women working in the construction and ICT industries. This will mean that current skills shortages and gender segregation will continue to exist in these sectors, thereby affecting employers' output and productivity in these vital sectors.

As noted earlier, the recent report by The Women's Economic Equality Taskforce found that 'we could add \$128 billion to the economy through boosting women's workforce participation and productivity growth if we tackle the factors holding women back'. The report noted that gender segregation is one of the factors contributing to this missed opportunity to add to the economy.⁶² The estimated \$128 billion boost to the economy is based on Deloitte modelling and is an economy-wide view of the effect of removing gender norms in Australia. The gains are based on a higher participation rate for women in the labour force, women working more paid hours (i.e., achieving a more equal split of unpaid labour or care), and importantly also having more people working in roles that align with their skills,

⁶² Women's Economic Equality Taskforce, Department of the Prime Minister and Cabinet (2023), "Women's Economic Equality: A 10-year plan to unleash the full capacity and contribution of women to the Australian economy". <https://www.pmc.gov.au/news/womens-economic-equality-taskforce-final-report-government>

talent, and qualifications.⁶³ This last point speaks to the potential impact of reducing gender segregation. Option 1 results in a missed opportunity to reduce gender segregation and boost the economy by more evenly distributing women’s skills across occupations and allowing for higher productivity with better allocated talent.⁶⁴

By not changing the gender balance and culture in male-dominated industries, like construction and ICT, businesses will miss the opportunity to access a larger pool of talent and avoid the current recruitment issues businesses are facing (with 56% of recruiting employers reporting difficulty hiring staff as of January 2023).⁶⁵

Women’s participation on major construction and ICT projects funded by Commonwealth procurement will continue to be limited, not helping to address the gender segregation in the construction or ICT workforce. It is likely that women’s participation in trade apprenticeships will continue to trend in significantly lower numbers than their male peers, contributing to gender segregation across industries like construction.

Individuals who are considering taking up an apprenticeship, in particular women who are interested to taking up apprenticeships in construction, will miss out on opportunities to work on major Australian Government funded projects and become skilled workers.

The ICT workforce shortages may continue without intervention, states and territories do not have mechanisms in place to increase the number of ICT apprentices, trainees, and cadets through targets in government procurement.

Option 2: Australian Skills Guarantee PCP

The department is leading the design and consultation of the Skills Guarantee PCP.

Locally, most states and territories have procurement policies in place that require apprentices and trainees to be used on major construction projects. The exceptions are the Northern Territory, which does not have apprentice targets, and the Australian Capital Territory, which only applies targets to select projects. State governments allocate dedicated resources to administer similar procurement policies to the Skills Guarantee, including managing compliance, educating, and supporting suppliers with procurement processes, policies, and systems.

⁶³ Deloitte Access Economics, November 2022, Breaking the norm: Unleashing Australia’s Economic Potential, <https://www.deloitte.com/au/en/services/economics/perspectives/breaking-norm-unleashing-australia-economic-potential.html>.

⁶⁴ Deloitte Access Economics, November 2022, Breaking the norm: Unleashing Australia’s Economic Potential, <https://www.deloitte.com/au/en/services/economics/perspectives/breaking-norm-unleashing-australia-economic-potential.html>.

⁶⁵ Jobs and Skills Australia, Recruitment Experiences and Outlook Survey – October 2023. <https://www.jobsandskills.gov.au/data/recruitment-experiences-and-outlook-survey>.

Table 5: Summary of costs and benefits under Option 2

Stakeholder	Costs	Benefits
Tenderers and suppliers	<ul style="list-style-type: none"> • Increased time and resources completing tendering requirements • Adjustments to recruitment processes • Adjustments to reporting processes. 	<ul style="list-style-type: none"> • Strengthened pipeline of skilled workers • Improved productivity • Greater capacity to deliver future projects.
Regional and rural suppliers	<ul style="list-style-type: none"> • May require additional time and support to build a job ready workforce given limited access to a ready pool of apprentices • Additional travel for off-the-job training because of limited local training opportunities. 	<ul style="list-style-type: none"> • Increase demand for apprentices and trainees in rural and regional areas • Strengthened pipeline of skilled workers • Boost digital skills • Attract new people to work and train in regional and rural Australia.
Smaller suppliers and sub-contractors	<ul style="list-style-type: none"> • Potential disadvantage in tendering for and completing Skills Guarantee projects compared to large businesses • Impact on smaller suppliers' workforce if larger suppliers poach employees due to the competitive labour market. 	<ul style="list-style-type: none"> • More opportunities to collaborate with larger suppliers • Exposure to broader range of on-the-job experiences for their apprentices and trainees • Strengthened pipeline of skilled workers.
Flagship construction project suppliers	<ul style="list-style-type: none"> • Suppliers will be required to propose more ambitious targets over other tenderers and suppliers for women and provide a Gender Equality Action Plan. This will: <ul style="list-style-type: none"> ○ further increase time and resources completing tendering requirements ○ requirement adjustments to recruitment processes ○ require adjustments to reporting processes. 	<ul style="list-style-type: none"> • Strengthened pipeline of skilled workers • Improved productivity • Greater capacity to deliver future projects • Accelerate cultural change by acting as exemplars • Increasing the proportion of women working on major construction projects.

Stakeholder	Costs	Benefits
Apprentices, trainees and ICT cadets		<ul style="list-style-type: none"> • Opportunity to receive training and gaining qualifications while earning an income • Increased opportunities to work in construction and ICT industries • Help unskilled and semi-skilled workers enter higher paying and secure trade or ICT roles.
Women and the construction and ICT workforces	<ul style="list-style-type: none"> • Barriers for women in a construction and ICT reducing participation hours and engagement numbers • Additional practices, processes and support networks for apprentices, trainees and ICT cadets, in particular women. 	<ul style="list-style-type: none"> • Reduce gender segregation • Increase the number of women on construction sites and working in ICT to change culture and reduce disproportionate levels of gender discrimination • Increase the supply of skills labour our economy needs.
Apprenticeship support providers	<ul style="list-style-type: none"> • Limited workload impact due to increased numbers of apprentices and trainees, and suppliers seeking advice and support. 	<ul style="list-style-type: none"> • Supporting participants in the Skills Guarantee would form part of business as usual support to assist the broader economies in the relevant states and territories.

Tenderers and suppliers

Costs

The Skills Guarantee will introduce new obligations for tenderers and suppliers. There will likely be additional costs associated with increased time and resources to complete tendering requirements, adjustments to recruitment processes and reporting to deliver projects. From stakeholders' responses during consultation, businesses will likely incur additional costs associated with recruitment, resourcing, support and reporting for suitable apprentices, trainees, and ICT cadets. The actual cost to suppliers will also depend on the scale and number of projects contracted to deliver.

The estimated regulatory burden cost to tenderers and suppliers is between \$0.600m and \$1.424m per financial year. This includes the additional costs the Skills Guarantee may create for tendering,

recruitment and reporting for suppliers. More detail on this estimate is provided in **Appendix B. Regulatory Burden Estimates.**

Tenders

Tenderers will be required to make a declaration of their ability to comply with the Skills Guarantee PCP targets and provide supporting information identifying the estimated labour hours of the eligible projects and women targets and submit a Gender Equality Action Plan for flagship construction projects.

The estimated regulatory burden cost to tenderers and suppliers for tendering is between \$0.486m and \$0.971m per financial year. More detail on this estimate is provided in **Appendix B. Regulatory Burden Estimates.**

Recruitment

Current participation rates for apprentices indicates that most suppliers will be well-positioned to meet the Skills Guarantee apprentice target. Across the entire construction industry, 10.8% of workers are apprentices and trainees (based on May 2023 ABS Labour Force information).⁶⁶ This suggests that the cost to suppliers to alter their recruitment processes because of the Skills Guarantee's overarching apprentice target will be limited and may not be incurred by all suppliers.

Initial targets for women will likely be achievable for most construction suppliers. As noted earlier, 4.9% of apprentices and trainees in construction were women and 3.5% of apprentices and trainees were women in trade apprenticeships in June 2023⁶⁷.

Despite this, supplier recruitment processes may require changes to advertising, screening, interviewing, onboarding, support and training to meet and comply with the Skills Guarantee PCP targets. The department expects the cost to suppliers to change recruitment processes to be consistent each year. This is because the increases in targets for women are consistent and will likely require an uplift from suppliers each year, including the expected uplift required from suppliers to meet the targets in the first year of the Skills Guarantee.

The estimated regulatory burden cost to tenderers and suppliers for recruitment changes resulting from the Skills Guarantee is between \$0.109m and \$0.271m per financial year. More detail on this estimate is provided in **Appendix B. Regulatory Burden Estimates.**

Reporting

Supplier data collection and record keeping will be line with normal contracting reporting obligations for large contracts, imposing a minimal additional burden. The Skills Guarantee PCP requires quarterly reporting from suppliers. Additional training may be required to learn new reporting policy and

⁶⁶ The rate is derived by calculating the number of apprentices and trainees in-training as at June 2023 as a percentage of employed persons as at May 2023 in the construction industry. Source: Australian Bureau of Statistics. (2023, May). Labour Force, Australia. ABS. <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/may-2023>. NCVET June 2023, Australian vocational education and training statistics: apprentices and trainees 2022 — June quarter.

⁶⁷ Based on NCVET June 2023 quarter data.

process for new or existing employees resulting in administration costs beyond business-as-usual costs.

The estimated regulatory cost to suppliers for reporting is between \$0.006m and \$0.182m per financial year, depending on the reporting requirements and level quality assurance required be undertaken by suppliers. More detail on this estimate is provided in **Appendix B. Regulatory Burden Estimates**.

Other costs

It was noted during the department's consultation on the Skills Guarantee that suppliers may be reluctant to take on new apprentices, trainees or ICT cadets due to concerns they will get 'poached' by competitors, either during the later stages or after finishing their qualifications. For suppliers competing on tight margins, like in the construction industry, there may be a perception that training is a poor investment. Stakeholders also noted concerns about the non-completion and retention of apprentices/trainees and ICT cadets, particularly women, if they experience bullying, harassment or unconscious bias in the workplace and training.

The department does not foresee the Skills Guarantee restricting entry of new construction or ICT suppliers into the market as decisions around a business's workforce composition can be made to meet the Skills Guarantee PCP targets. The department expects more burden to be imposed on suppliers with workforces that currently would not meet the targets outlined in the Skills Guarantee PCP, as these businesses may need to hire additional people to tender for Commonwealth procurement projects captured by the Skills Guarantee PCP.

It is likely that any additional costs to suppliers associated with meeting the Skills Guarantee requirements would be passed on to the Government given the Skills Guarantee PCP affects direct Commonwealth procurements, resulting in higher project delivery costs. However, it is difficult to establish the causal relationships between higher tender quotes and the introduction of new workforce targets, given the variability in costs for both labour and construction materials.⁶⁸

Targets for women will increase over time to be achievable and drive long-term sustainable change required to address the structural problems of gender segregation, currently limiting opportunities for women, and constraining the supply of skills labour our economy needs. Experience implementing similar targets through the IPP has shown that progressively increasing the value target can drive change in business practices. It will send a clear signal to suppliers that they will need to adapt their strategies to recruit and retain women if they are to be competitive in winning future Commonwealth Government business. This approach also aligns with consultation feedback that found strong support among women's organisations for initial targets that are achievable.

Benefits

Working towards improving the gender balance and culture in male-dominated industries, like construction and ICT, will help suppliers have access to a larger pool of talent by increasing the participation of women, strengthening the pipeline of skilled workers and improved productivity.

⁶⁸ Infrastructure Australia, Infrastructure Market Capacity 2022 Report.
https://www.infrastructureaustralia.gov.au/sites/default/files/2022-12/2022_IA_Market-Capacity-Report.pdf

Investing in skills development and achieving strong productivity growth would create a greater capacity for businesses to deliver future projects and supporting demand for apprentices, trainees and paid cadets can help reduce skills shortage in the future.

There is also evidence that increasing the diversity of a business's workforce can lead to an increase in productivity and profit – as increasing diversity allows for more different perspectives and ideas, increases creativity, and makes the business more resilient.⁶⁹

Tenderers and suppliers should be able to receive another layer of support from the construction and ICT industry peaks and unions that have been actively engaged throughout consultations.

Regional and rural suppliers

Costs

The Skills Guarantee is a national policy that does not target specific regions. Despite this, the Skills Guarantee may impact the regions differently to urban areas and pose unique challenges and benefits.

Data from the Infrastructure Investment Program (IIP) Program of Works reveals that 525 IIP projects would be classified as major projects.⁷⁰ Of these, 277 are regional projects and these regional projects represent 27.9% of the value of the total cost of projects where the Australian Government is a partner.⁷¹

Equally significant, the flagship projects threshold would capture 215 IPP projects, of which 97 are regional projects and these regional projects represent 23.7% of the value of the total cost of projects where the Australian Government is a partner.⁷²

Some regional areas with thin labour markets may require additional time and support to build a job ready workforce. There may be impacts on regional suppliers who do not have access to a ready pool of apprentices to draw on to meet the Skills Guarantee targets. The department acknowledges that regional and rural suppliers may find it harder to meet the targets due to skills shortages and limited local training opportunities resulting in additional travel for off-the-job training.

As the employer must pay the reasonable travel costs to and from training if the apprentice attends block release training and stay overnight under many awards⁷³, this may have greater impact on regional and rural supplier due to limited access to local training organisations and may deter the engagement of apprentices for financial viability.

⁶⁹ World Economic Forum (2019), "The business case for diversity in the workplace is now overwhelming", <https://www.weforum.org/agenda/2019/04/business-case-for-diversity-in-the-workplace/>
Kögel, C., et al. (2023), "Gender diversity in senior management and firm productivity: Evidence from nine OECD countries", OECD Productivity Working Papers, No. 34, OECD Publishing, Paris, <https://doi.org/10.1787/58ad664a-en>.

⁷⁰ Data supplied by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

⁷¹ Data supplied by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

⁷² Data supplied by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.

⁷³ [FWO - Library Article - K600434 \(fairwork.gov.au\)](https://www.fairwork.gov.au/library/article/K600434)

The department's approach to compliance is mindful there may be challenges for regional and rural suppliers to adapt to the Skills Guarantee targets. Regional and rural suppliers will not be penalised for matters which are considered outside of their control and will be provided the opportunity to outline mitigating factors which are preventing them from meeting targets, including skills shortages or limited training opportunities in the area.

Benefits

Most apprentices are in major cities, with only 30.3% of construction apprentices in regional areas and 1.8% located remotely.⁷⁴ The Skills Guarantee aims to create secure jobs and increase the demand for apprentices and trainees in regional and rural areas that often have higher youth unemployment.

To relieve some of the costs associated, suppliers will have the flexibility to hire apprentices from other areas if needed, whilst still providing more opportunities for local workers. This will also support the flexibility of apprentices and trainees to support projects in cross-border areas, for example Albury-Wodonga.

The success of Skills Guarantee will ensure that regional Australia is able to create a long term, sustainable pipeline of skilled workers, address skills shortages and boost digital skills. The Skills Guarantee will broaden the diversity of the workforce on major projects, particularly in industries and sectors in regional areas where women's involvement in the workforce is limited. The targets will help create more opportunities for women in regional areas, while the annual target increases for women will help drive changes that will support recruitment and retention.

The Skills Guarantee will provide opportunities for people from regional and rural Australia to live and work in their community, as well as attract new people to work and train in regional and rural Australia.

Smaller suppliers and sub-contractors

Costs

Smaller suppliers and subcontractors may have less capacity or capability to meet Skills Guarantee PCP targets in comparison to larger suppliers meaning they may be disadvantaged in tendering for and completing Skills Guarantee projects. To lessen the impact on smaller suppliers, the project financial threshold is \$10 million or higher, instead of \$7.5 million, which is less likely to capture smaller suppliers.

A Productivity Commission review in 2020⁷⁵ noted that incentives systems were hard to use, particularly for small and medium sized businesses that may have less capacity to navigate different programs. The large administrative burden to digest, understand and applying guidance was considered an obstacle to hiring apprentices.

The Skills Guarantee could negatively impact smaller suppliers' workforce if larger suppliers poach employees from small suppliers due to the competitive labour market to meet the targets. However,

⁷⁴ NCVER 2022 Australian vocational education and training statistics: apprentices and trainees 2022 — June quarter.

⁷⁵ [Productivity Commission \(2020\) National Agreement for Skills and Workforce Development Review, www.pc.gov.au](https://www.pc.gov.au/research/other/reports/national-agreement-for-skills-and-workforce-development)

the likelihood of poaching is limited. The Skills Guarantee PCP targets are applied at the project level between a contracting agency and a supplier, and the larger suppliers may utilise small businesses as sub-contractors, therefore the targets will not apply to the small business only the larger contracting agency.

Benefits

Smaller suppliers and subcontractors may have more opportunities to work with larger suppliers to provide exposure to a broader range of on-the-job experiences for their apprentices and trainees from larger Commonwealth funded projects. While the Skills Guarantee targets will not apply directly to subcontractors by engaging with larger suppliers with projects in the Skills Guarantee, the benefits to the workforce, including the increased participation of women in the workforce are anticipated to flow through because of the increased pool of skilled workers and access to a stronger network of support.

In accordance with the CPR's, the Skills Guarantee guidance to contracting agencies will reiterate the importance to engage in fair competition and not unfairly discriminate against small and medium businesses to provide appropriate opportunities during procurement. Additionally, the size of the business can be considered a mitigating factor when considering a supplier's compliance with the Skills Guarantee PCP.

Flagship construction project suppliers

Costs

Suppliers will be required to propose more ambitious targets for women and provide a Gender Equality Action Plan.

The provision of the Gender Equality Action Plan is separate to the requirements under the *Workplace Gender Equality Act 2012* (Cth)⁷⁶ and Workplace Gender Equality Procurement Principles⁷⁷.

Benefits

Applying higher targets to flagship construction projects will help accelerate cultural change within the industry and work towards achieving a critical mass of women on major projects. As the exemplar construction project at Cannon Hill under the Queensland Government's procurement policy has demonstrated, higher targets for women on select projects can inform the wider adoption of targets for women.

The Gender Equality Action Plan will support increasing the proportion of women working on major construction projects driving long term change and assist sub-contractors associated with flagship construction projects to plan and implement similar recruitment and retention strategies with the lead supplier.

⁷⁶ [Workplace Gender Equality Act 2012 \(legislation.gov.au\)](http://legislation.gov.au)

⁷⁷ [PMC-WGE-Procurement-Principles.pdf \(wgea.gov.au\)](http://wgea.gov.au)

The lessons learnt from the experience of flagship construction projects and their experiences with cultural change will inform the development of resources to assist suppliers across the industry as the targets for women increase over time.

Apprentices, trainees, and ICT cadets

Costs

Financial barriers, particularly in the early stages of commencing employment, may deter individuals from completing qualifications in construction or ICT. Some apprentices, trainees, and ICT cadets may need to move out of home or relocate from a regional or remote part of Australia to work and study. While additional Commonwealth support may be available, including living away from home allowances and subsidies, housing affordability differs in locations and housing types. The Anglicare Australia Rental Affordability Snapshot National Report 2023⁷⁸, outlines the declining affordability for the minimum wage workforce and supply issues in affordable rental properties. The report noted that out of 45,895 rental listings about 1.3% (582 rentals) were affordable for a construction worker. With the average entry level apprentice and trainee salary in 2023⁷⁹ approximately \$56,942, varying due to several factors including the amount of time to complete the qualification, age of worker and the number of competencies completed, a significant proportion of salary may be required for a household budget impacting well-being and engagement with employment. As the cost to apprentices to relocate for work and study is already experienced under the status quo and is only applicable to some learners, the department expects the additional relocation cost resulting from Option 2 to be limited and has therefore not included a regulatory burden estimate.

Challenges to sustain confidence to maintain employment when completion rates are low and there is a lack of mentors in the industry due to skills shortages.

Benefits

An apprenticeship, traineeship or ICT cadetship provides the opportunity to receive training while earning an income.

An apprenticeship may be the primary entry pathway in many trade occupations, such as construction, and be mandated as part of licencing requirements for qualified trades people. On-the-job training can facilitate an environment in which people who have not worked before a smoother transition into new industries. The Skills Guarantee will increase opportunities for prospective apprentices, trainees, and ICT cadets and create demand for commencements in key industries through targets applied from Commonwealth procurement.

The VET National Data Asset (VNDA) Report⁸⁰, released 16 November 2023, identified apprentices and trainees made up 19.69% of participants completing a Certificate III in Information Technology in 2018-2019, for example, and upon completion saw an 18.48% increase in employment rate and \$10,851 median increase in income, with a further 12.54% progressing to further higher education or study. The minimum participation requirements will benefit prospective apprentices, trainees, and ICT

⁷⁸ [2023: Rental Affordability Snapshot - Anglicare Australia](#)

⁷⁹ [Apprentice and trainee pay rates - Fair Work Ombudsman](#)

⁸⁰ [VET National Data Asset \(VNDA\) | Jobs and Skills Australia](#)

cadets by increasing employment opportunities in construction and ICT industries, increasing earning and workforce stability over time.

The benefit to apprentices and trainees can be demonstrated by considering the Victorian Government's MPSG, noting that the Skills Guarantee is subject to a different financial threshold. The MPSG is part of the Local Jobs Act and requires contractors to deliver at least 10 per cent of labour hours using apprentices, trainees and cadets to all Victorian Government construction, infrastructure, civil engineering, and capital projects valued at \$20 million or above. Since the introduction of the MPSG in 2016 until 30 March 2022, the MPSG has been applied to 265 projects worth \$117.4 billion of more than 12.6 million contracted hours and supported 3,716 apprentices, 1,544 trainees, 1,357 cadets across 7.9 million labour hours.⁸¹

In addition, in the longer term, the Skills Guarantee would help unskilled and semi-skilled workers enter higher paying and secure trade or ICT roles with additional benefits, including working unsupervised for the individual and broader economic benefits to society.

Apprentices and trainees may also be eligible for Commonwealth support⁸² including up to 2 years financial assistance through Australian Apprentice Training Support Payment if undertaking Cert III and above in an occupation on the Australian Apprenticeships Priority List (\$1,250 for full-time apprentice and \$625 for part-time apprentice every 6 months for first two years), New Energy Apprentice Support Payment for eligible apprentices working in the clean energy sector as identified on the Australian Apprenticeships Priority List, Living away from home allowance for eligible apprentices that move away from parents or guardians to start/remain/receive essential supplementary on-the-job training with another employer, Trade Support Loans Scheme receive up to \$24,492 over their eligible apprenticeship (including the Trade Support Loans Qualifications List and the Trade Support Loans Priority List) and are interest free but annually indexed with CPI, apprentices can opt in or out over the course of their apprenticeship and there is no waiting period to claim to help with the cost of living and is complementary to the Incentives System.

Women in the construction and ICT workforces

Costs

A number of structural problems underpin occupational gender segregation, and broader cultural and systemic changes are required to tackle this issue. Women are more likely to observe bullying in the workplace during their training. Around 30.9% per cent of women and 21.6% per cent of men in apprenticeships reported observing bullying in the workplace.⁸³ According to the 2018 National Survey on Workplace Sexual Harassment, it is estimated that 51% of women (compared to an estimated 12% of men) working in construction had experienced sexual harassment.⁸⁴ The risks of workplace bullying, and harassment cannot be fully mitigated through the implementation of the Skills Guarantee. Employer bias and cultural fit with those already in the workforce may impact supplier conceptions or

⁸¹ Local Jobs First Annual Report to Parliament 2021-22

⁸² [Financial support for apprentices | Australian Apprenticeships](#)

⁸³ Derived from the 2019 Apprentice and Trainee Experience and Destination Survey.

⁸⁴ P58, <https://humanrights.gov.au/our-work/sex-discrimination/publications/everyones-business-fourth-national-survey-sexual>.

unconscious bias about women’s capabilities to perform in trades creating a deterrent or barrier for women in a construction occupation or the expectation that women will leave the workforce to have children and that training would be a waste of time and resources.

To mitigate this risk, suppliers may be required to establish a range of additional practices, processes and support networks for apprentices, trainees, and ICT cadets, in particular women, that may be subject to bullying and discrimination in the workplace and at training.

Benefits

Successful implementation of the Skills Guarantee targets will increase female participation in the construction and ICT sectors.

The initial Skills Guarantee PCP targets for women in eligible projects from 1 July 2024 have been set less than 1% above the June 2022 rates of participation of women, 5.2 % in apprenticeships and traineeships and 3.3% in trade apprenticeships respectively. These targets align with broader initiatives to improve the diversity of workplaces, such as the implementation of the Respect@Work laws and recommendation 3a from the 2021 Review of the *Workplace Gender Equality Act 2012*⁸⁵, which will require individual companies with 500 or more employees to set targets to improve gender equality within their organisations to bridge the action gap.

Women continue to experience disproportionate levels of gender discrimination, more likely to be in lower-paid occupations and part-time work and more likely to be impacted by having and caring for children. The gender pay gap is particularly prevalent in certain industries including construction, financial and insurance services, and administrative and support services.⁸⁶ The WGEA reports that Australia’s total remuneration gender pay gap is 22.8%, with every \$1 on average a man makes, women earn 77.2 cents adding up over a year to a \$25,596 difference⁸⁷. The gender pay gap is slowly reducing, however comparison data from WGEA Employer Census Data and Australian Bureau of Statistics (ABS) Survey Data show it has stalled in the last 2 years. The main drivers of gender pay gap identified by WGEA are occupational and industrial segregation; care, family and workforce participation and gender discrimination⁸⁸. While the gender pay gap is an economy-wide issue and the impact from the Skills Guarantee may be limited, it will increase the labour force participation and visibility of women in the construction and ICT workforce. Suppliers will need strategies to make the workplace more supportive and flexible which encourages, reducing the high attrition rates by encouraging retention and career progression for women and helps to, which will helping the gender pay gap over time and reducing workforce gender segregation.

Increasing the number of women on construction sites and working in ICT will help build stronger networks and mentoring opportunities to encourage more women into male-dominated roles. It will

⁸⁵ [WGEA Review recommendations | WGEA Review Report | PM&C \(pmc.gov.au\)](#)

⁸⁶ Gender Equality Insights 2016: Inside Australia’s gender pay gap, (p 19)
https://www.wgea.gov.au/sites/default/files/documents/BCEC_WGEA_Gender_Pay_Equity_Insights_2016_Report.pdf.

⁸⁷ Workplace Gender Equality Agency, Employer Census Data, November 2022.

⁸⁸ Workplace Gender Equality Agency, She’s Price(d)less Report, Fourth Edition, July 2022

build a sense of pride and satisfaction from completing projects while building skills, increasing confidence and morale in women engaging in construction and ICT.

The Skills Guarantee is supplemented by support that is available for women who start an apprenticeship in an eligible trade occupation and provides access to comprehensive wrap-around support (non-financial) through the Australian Apprenticeships Support Network, including personalised advice and information on career options and apprenticeship pathways, pastoral care, career and industry mentoring, access to professional networks and entrepreneurship training⁸⁹.

Apprenticeship support providers

Costs

The Skills Guarantee PCP targets may have a minimal workload impact with increased numbers of apprentices and trainees, and suppliers seeking advice and support. AASN's for example, provide a free national service for apprentices and employers contracted with the Australian Government.

Benefits

Providers are another point of contact to provide consistent information to support stakeholders seeking guidance, including suppliers new to employing apprentices, trainees, or ICT cadets to understand the established support networks.

There are many established state and territory based providers to help oversee and coordinate employment opportunities across all industries. Supporting participants in the Skills Guarantee would form part of business as usual support to assist the broader economies in the relevant states and territories.

⁸⁹ [Support for priority cohorts | Australian Apprenticeships](#)

Question 5: Consultation and incorporating feedback

Overview

The department has consulted widely and publicly on the design and implementation of the Skills Guarantee. Getting the policy design right is critical to ensuring the Skills Guarantee is successful and delivers on the promise of supporting opportunities for apprentices, trainees, and ICT cadets. A consultation process was needed to ensure that the department understood the needs of industry and that the Skills Guarantee supports businesses to increase their investment in training and address skills shortages rather than creating unnecessary burden or duplication.

The department took an iterative approach to developing the Skills Guarantee and adjusted its approach and design based on stakeholder feedback. Consultation played a key role in determining the scope of the Guarantee, the targets and implementation approach. A broad range of views on the key policy elements of the Guarantee were presented, and all stakeholder views were considered as a part of the policy development process. Key milestones for the design and implementation process are provided in **Table 8** below.

Table 8: Key milestones for the Skills Guarantee consultation

Key milestones
<ul style="list-style-type: none"> • March 2021: Initial announcement of Skills Guarantee election commitment • September 2022: Jobs & Skills Summit announcement of targets for women and focus on digital skills • November/December 2022: Consultation on Skills Guarantee via discussion paper and series of targeted meetings • 2023–24 Budget: Announcement of full policy settings and funding • October 2023 – January 2024: Consultation on draft Skills Guarantee PCP guidelines via release of draft guidelines and series of target meetings • March – April 2024: Development of additional guidance materials • 2024–25 Budget: Consideration of reporting and PCP guidelines for the Skills Guarantee • 1 July 2024 onwards: Targets will apply to tender processes for Commonwealth projects via the Skills Guarantee PCP • June 2025: commencement of first annual review of Skills Guarantee PCP (to be review every year) • 1 July 2025: First increase to targets for women in construction projects

Consultation

Early consultation with government agencies focused on lessons learnt from existing policies

The department engaged in early consultation with other Australian Government agencies as well as state and territory governments to understand the approach to existing procurement policies and lay a solid foundation for further consultation.

Discussions with the states provided an opportunity to understand how the existing state policies are currently operating and how they might interact with the Skills Guarantee. States also provided valuable insight on policy lessons learned designing and implementing state workforce targets through procurement policy. Most states emphasised the importance of having a robust and easy to use reporting tool to assist with monitoring progress, managing compliance and data collection.

Meetings with other Australian Government agencies deepened understanding of intersecting work across government. The department was also able to gain insight from other Australian Government agencies that have designed procurement connected policies and learn from their approaches to implementation, reporting and compliance.

2022 public discussion paper and targeted consultation

The department released a public discussion paper on the Skills Guarantee in 2022. This consultation played a key role in determining the scope of the Skills Guarantee, the targets and implementation approach.

The consultation paper presented several different policy options and sought views on key design questions for the Skills Guarantee. Submissions opened on 23 November 2022 and closed on 22 December 2022, with several extensions granted until mid-January 2023. The department received a total of 49 written submissions.

Following the release of the discussion paper, the department held a series of roundtables and bilateral meetings with over 100 organisations and professionals including industry representatives, unions, peak bodies, employers, training organisations, women's advocacy groups, academics, state and territory governments and Commonwealth agencies. These stakeholder groups were selected as the primary stakeholders impacted by the Skills Guarantee. Understanding the perspectives of those engaged in government funded projects, from the organisations tendering for contracts through to those delivering works on the ground, is critical to the success of the Skills Guarantee.

The feedback from the consultation process has informed the development of the policy settings for the Skills Guarantee. The key findings from the consultation process are provided below:

1. **Finding:** The construction industry is familiar with and has the capacity to respond to workforce targets, while these policies are new for the ICT sector.

Outcome: Given the industry's familiarity, the department was confident in setting workforce targets for major construction projects based on current workforce information. For major ICT

projects, the department decided that targets will initially be negotiated with suppliers on a project-by-project basis, based on workforce information provided by suppliers during the tender process. This approach will support the collection of data on entry-level pathways in the ICT sector to enable potential future development of targets for all major ICT projects.

2. **Finding:** Target settings should consider the capacity of the current labour market as well as the training system to deliver enough apprentices and trainees.

Outcome: The department used current labour market information to set targets only slightly above current rates of participation.

3. **Finding:** Many stakeholders supported targets for women aimed at different cohorts in the workforce – such as specific targets for women in trade roles combined with broader targets for apprentices and trainees.

Outcome: The department included specific targets for women in trade roles as well as broader targets for apprentices and trainees.

4. **Finding:** There was strong support among women’s organisations for initial targets that are achievable based on current participation data, but which could be scaled up over time to drive sustainable change.

Outcome: The department used current labour market information to set the initial targets for women only slightly above current rates of participation, with targets increasing by one percentage point each financial year to drive sustainable change.

5. **Finding:** The tight labour market is driving employers to diversify their workforce and think differently about ways of working to recruit and retain women.

Outcome: The department was given confidence there is an appetite from employers to increase the number of women working in the construction and ICT industries.

6. **Finding:** Planning and drafting tender applications often commence 12 months prior, a staged implementation would allow suppliers more time to adjust policies, purchasing procedures and recruitment processes.

Outcome: The department has taken a staged implementation of the Skills Guarantee to allow the necessary lead time for businesses to adjust their policies, purchasing procedures and recruitment processes ahead of the mandatory apprentice and trainee targets coming into force in July 2024 (more than 12 months from the 2023–24 Budget announcement). In addition, the department has

also undertaken 2 rounds of public consultation on the PCP guidelines to ensure that suppliers gain an early understanding of key requirements, including reporting and compliance, and adjust their businesses practices accordingly.

7. **Finding:** Engagement will need to be ongoing, with education and support important for implementation, including guidance material.

Outcome: The department committed to developing resources and engaging in the education of tenderers, suppliers and state and territory governments and Commonwealth contracting agencies to provide support and ensure there is a consistent understanding of the obligations under the Skills Guarantee.

8. **Finding:** Streamlined and easy-to-use reporting will be critical to successful implementation and performance monitoring.

Outcome: The department undertook to consult with stakeholders further about reporting under the Skills Guarantee to ensure reporting is streamlined and easy to use.

Following consultation, the department released its findings in the Australian Skills Guarantee Consultation Summary, available on the department's website.⁹⁰

Public consultation on the PCP guidelines

The Skills Guarantee PCP has been tested and refined with a range of stakeholders through a public consultation process to ensure it is clear, concise and user-friendly.

Round 1: September 2023 – October 2023

The first round of the public consultation on the PCP guidelines commenced on 29 September 2023 and closed on 20 October 2023. The department received 28 written submissions and met with 60 organisations including representatives from key stakeholder groups impacted by the Skills Guarantee. This included representatives from industry, unions, employers, peak bodies, state and territory governments, women's organisations, and academics.

Overall, the majority of the submissions were supportive of the Skills Guarantee, in line with the feedback received from stakeholders in roundtables and bilateral meetings. Stakeholders noted that the Skills Guarantee PCP guidelines were clear, concise and easy to understand. The department revised the PCP guidelines in line with feedback received from stakeholders following each round of public consultation. Revisions included providing greater detail on the proposed reporting requirements and compliance framework and refining and including additional examples in the PCP guidelines further clarifying how to calculate targets for women. In addition, as part of the consultation, the department specifically tested its proposed approach to negotiation of ICT targets,

⁹⁰ Department of Employment and Workplace Relations, Australian Skills Guarantee Consultation Summary, July 2023: <https://www.dewr.gov.au/australian-skills-guarantee/resources/australian-skills-guarantee-consultation-summary>

contract variations, reporting frequency and approach, and compliance, and shaped the PCP guidelines accordingly.

During consultation stakeholders also highlighted the need for additional supports to ensure women are supported and remain in the construction industry. The department advised stakeholders that the implementation of the Skills Guarantee will be supported by projects to better support apprentices, including women apprentices, and is aligned to broader efforts across the Government to deliver safe, secure and equitable workplaces such as the implementation of the Respect@Work laws and the 2021 Review of the *Workplace Gender Equality Act 2012*. The Skills Guarantee will also work in conjunction with the targeted support for apprentices led by the Department, particularly the \$5 million investment to support women in apprenticeships in male dominated trades which would support organisations to provide advice on culturally safe and inclusive workplaces such as major and flagship construction projects; and the work currently underway to support Women Achieve higher paid careers through vocational education and training (VET).

Stakeholders noted the need for detailed guidance on operational matters. Once the PCP guidelines are finalised, the department intends to consult with stakeholders to develop supplementary operational guidance material for contracting agencies and suppliers to help them further understand their obligations under the Skills Guarantee, including minimum reporting requirements and providing guidance on how to develop a Gender Equality Action Plan.

Feedback also noted the importance of a streamlined and easy-to-use reporting mechanism for suppliers to track and report on Skills Guarantee targets. Where possible, suppliers would like to see existing systems utilised to minimise duplication of reporting requirements.

Round 2: December 2023 – January 2024

The second round of public consultation was held from 14 to 19 December 2023 with 20 external attendees across 18 organisations including AASN providers, state government entities, Jobs and Skills Councils, employers, unions, and women’s groups. Submissions will close on 19 January 2024. The consultation session focused on the changes made to the Skills Guarantee PCP guidelines, particularly new guidance on reporting, compliance, contract variations and approach to setting targets for major ICT projects. The Skills Guarantee PCP guidelines will reflect any further changes, as required.

Limitations to consultation

Given the limited data on ICT pathways (see **Question 1**), the department was not able to test targets for the ICT sector during consultation. Should targets for major ICT projects be developed in the future, the department will engage with relevant stakeholders to test their appropriateness.

There were queries during consultation which sought more detail on aspects of the Skills Guarantee that were still to be determined by government at the time of consultations. Further guidance will be shared with relevant stakeholders once all elements are finalised.

Future stakeholder engagement to support implementation

The department continues to engage with key stakeholders to support the implementation of the Skills Guarantee. The department will be working closely with contracting agencies in the lead up to – and after – the commencement of the Skills Guarantee PCP to ensure agencies understand their

obligations. This includes engaging with contracting agencies through the ASG Intergovernmental Committee (IGC) with the purpose of monitoring and overseeing the implementation of the Skills Guarantee, with members representing key Commonwealth departments that will be impacted.

Question 6: The best option and implementation

Selecting the best option

The department has considered the 2 options presented in this IA:

- **Option 1:** No action, status quo. No targets for apprentices, trainees and ICT cadets applied to major projects that are funded exclusively by the Australian Government.
- **Option 2:** Australian Skills Guarantee PCP and reporting. The Skills Guarantee PCP will use Commonwealth investment in major projects to help train the next generation of skilled workers by introducing new national targets for apprentices, trainees, and ICT cadets working on eligible Australian Government funded major projects. The Skills Guarantee will also introduce national targets for women apprentices to increase the proportion of women working on major projects.

The department has weighed these 2 options against the problems and objectives outlined in **Question 1** and **Question 2**. These are summarised below:

- **Problem:** Australia is currently experiencing persistent and critical skills shortages in many key sectors caused by high demand growth and a weak flow of skilled workers into occupations. VET pathways have an integral part to play in alleviating these shortage pressures.

Objectives:

- Increase entry level pathways in construction and ICT sectors
- Increase commencement rates for apprentices, trainees and ICT cadets
- Reduce the current and future skills shortages in the construction and ICT sectors, including drawing on the underutilised female labour force
- **Sub-problem:** A more segregated workforce can contribute to skills shortages as it limits job mobility, stifles labour market flexibility, and impacts productivity. The gendered nature of the construction and ICT industries means women apprentices, trainees and cadets are underrepresented in these sectors.

Objectives:

- Reduce gender segregation by increasing female participation in construction and ICT sectors
- Reduce female unemployment rates and increase female labour force participation

The department has determined that Option 2: Australian Skills Guarantee PCP is the best option to achieve the objectives and address the problems outlined above. The net benefit of the Skills Guarantee will help strengthen the workforce pipeline for the next generation of skilled workers in the construction and ICT industries and will increase the proportion of women working to reduce gender segregation.

The Skills Guarantee represents the greatest net benefit of the 2 options outlined. Option 1 provides limited benefits and does not address the issues outlined under **Question 1**. Option 1 would miss the opportunity to address Australia’s skills shortages and gender segregation in the construction and ICT industries. Option 2, while imposing some regulatory cost (as outlined under **Question 4**), will provide more employment opportunities to Australians, will support women working in the construction and ICT sectors, will support businesses to complete projects, and will ultimately support a stronger economy with a more skilled workforce for future needs. Option 2 will benefit prospective apprentices, trainees, and ICT cadets by providing more opportunities to receive training while earning an income and will also build networks and mentoring opportunities to encourage more women into male-dominated roles by increasing the number of women on construction sites and working in ICT.

Implementing the policy via a Skills Guarantee PCP

As the Skills Guarantee sets targets for direct major Commonwealth procurements in construction and ICT, the best and key mechanism to implement the Skills Guarantee and assist with the achievement of the intended outcomes will be through the introduction of a Whole of Australian Government PCP.

By leveraging the significant purchasing power of the Australian Government, the Skills Guarantee PCP will ensure a proportion of all labour hours worked on eligible major projects must be undertaken by apprentices and trainees. This will drive sustained, long-term demand for apprentices and trainees and create a greater pool of skilled workers. Experience implementing similar targets – for example, through the IPP– has shown that a progressively increasing value target can drive change in business practices.

From 1 July 2024, requirements of the Skills Guarantee PCP will come into force and be considered as part of procurement processes. The PCP guidelines will be the key mechanism through which the Skills Guarantee will be implemented, providing instructions to parties engaging in major Australian Government-funded construction and ICT projects on key obligations. The PCP guidelines implement the key policy settings announced at the 2023–24 Budget, including:

- The Skills Guarantee will apply to major projects over \$10 million
- Major construction projects must ensure 10% of all labour hours are undertaken by apprentices, 6% of all apprentice labour hours and 4% of trade apprentice labour hours are undertaken by women
- Flagship construction projects (contract value of \$100 million or more) must propose higher targets for women and complete a Gender Equality Action Plan
- Major ICT projects (contract value of \$10 million or more) will be required to negotiate targets for apprentices and ICT cadets, and targets for women, with suppliers on a project-by-project basis.

Reporting

The experience of the states and territories in implementing workforce targets has shown that real change requires substantial investment in performance monitoring and compliance.

Effective reporting is critical to the successful implementation of the Skills Guarantee. It is the basis for successful monitoring and the assessment of performance. It is also critical to understanding if the intent of the policy is being delivered. The Committee for Economic Development of Australia (CEDA) 2023 Occupational Gender Segregation Report⁹¹ recommends that ‘Government policy should also make it easier for employers to comply with reporting requirements by assisting with digital solutions and allowing reuse of data already provided.’

Suppliers will be required to report quarterly and at the end of their contract with the contracting agency. These reporting requirements will be specified in the approach to market and the contract. In addition, to enable contracting agencies to monitor suppliers’ progress and compliance with the Skills Guarantee targets, the department proposes contracting agencies collect a range of data from suppliers.

Roles and responsibilities

Department of Employment and Workplace Relations (the department)

The department administers the Skills Guarantee policy, including:

- Providing subject matter expertise on the Skills Guarantee to contracting agencies
- Promoting the Skills Guarantee
- Ongoing management of the Skills Guarantee
- Advising Government regarding the policy and the performance of suppliers and relevant entities in meeting their obligations under the Skills Guarantee PCP
- Implementing and managing the Skills Guarantee reporting.

The department will also continue to work closely with contracting agencies to ensure agencies understand their obligations.

Contracting agencies

The contracting agency for a Skills Guarantee project is responsible for managing the following areas of the Skills Guarantee.

Submission preparation

- Determine whether the Skills Guarantee PCP applies to a procurement. For any clarification, agencies should contact the department.
- Support potential suppliers and suppliers to understand the Skills Guarantee PCP requirements.

⁹¹ Committee for Economic Development of Australia Occupational Segregation Report 2023 [occupational-gender-segregation-ceda_1.pdf \(windows.net\)](#)

Proposal

- Incorporate the current Skills Guarantee model clauses for the applicable project type into the approach to market documentation.

Submission evaluation process

- Review responses to determine whether submissions meet the requirements outlined in the Skills Guarantee PCP.

Contract negotiation

- Negotiation of Skills Guarantee PCP targets for major ICT projects/flagship construction projects.
- Include model clauses in the contract.

Contract Management

- Manage compliance with the Skills Guarantee PCP throughout each stage of the procurement process and make assessments as to whether the supplier is accurate in their reporting against the Skills Guarantee targets.
- Undertake annual and final compliance assessments against Skills Guarantee targets.
- Support suppliers to meet their obligations under the Skills Guarantee.

Suppliers

Suppliers report to the relevant contracting agency and are responsible for:

- Completing submission responses and, should they be successful, ensuring they fulfill the requirements of the contract
- Managing all aspects of sub-contractor engagement and performance in relation to the Skills Guarantee PCP
- Major construction projects, meeting overarching apprentice target and both targets for women
- Flagship construction projects, meeting overarching apprentice target, meeting proposed higher targets for women and submitting a Gender Equality Action Plan
- Major ICT projects, meeting agreed overarching apprentice and ICT cadet target and target for women
- Responding in a timely manner to the relevant contracting agency and/or DEWR for all requests, including for compliance reports or other information
- Providing accurate and complete reporting against applicable targets, in accordance with the requirements outlined in the contract.

Other implementation approaches

In addition to the PCP, the design of the Skills Guarantee in this proposal will be used as the basis for negotiations with state and territory governments for other implementation approaches:

- Major social and affordable housing projects under the National Housing Accord, as announced in the October 2023–24 Budget.
- Major road and rail projects under the next National Partnership Agreement (Land Transport NPA) on Land Transport Infrastructure Projects.
- Venue infrastructure investment for the Brisbane 2032 Olympic and Paralympic Games (2032 Games), noting the Intergovernmental Agreement on the 2032 Games committed to utilising implementation of national training, skills and workforce development plans and agreements, including the Skills Guarantee and its successors on projects.

Risks for implementation

Impact on regional and rural suppliers

There may be impacts on regional suppliers who do not have access to a ready pool of workers willing to undertake an apprenticeship to meet the Skills Guarantee targets. The department acknowledges that regional and rural suppliers may find it harder to meet the targets due to general workforce shortages and limited local training opportunities resulting in additional travel for off-the-job training.

Impact on smaller suppliers and sub-contractors

Smaller suppliers and subcontractors may have less capacity or capability to meet Skills Guarantee PCP targets than larger suppliers, meaning they are disadvantaged in tendering for and completing Skills Guarantee projects.

Larger companies may also poach employees from small businesses due to the competitive labour market to meet the targets, meaning the Skills Guarantee could negatively affect the smaller business's workforce.

Risk mitigation

To mitigate the risks outlined above, targets set in the Skills Guarantee PCP have considered the capacity of the current system to attract and produce apprentices and trainees. The targets that have been set for 2024–25 FY are only slightly above the current participation rates for apprentices and women.

Around one in 10 workers may already be an apprentice or trainee in the construction industry (based on May 2023 ABS Labour Force information)⁹². As such, it would only require a slight uplift from suppliers to meet the targets.

Similarly, participation rates for women in apprenticeships/traineeships and women in trade apprenticeships/traineeships in June 2022 were 5.2% and 3.3% respectively, meaning the initial targets for women have only been set 0.8 and 0.7 percentage points above the June 2022 rates of participation. These targets will increase each year to drive change while still being achievable and minimising the risks outlined above. In June 2023, these percentages have changed to 4.9% (for apprentices and trainees in construction who were women) and 3.5% (for women in trade apprenticeships). Target levels will be reviewed by the department annually and refined if required.

By requiring a slight uplift from suppliers the department is mitigating the risk of suppliers 'poaching' apprentices from other suppliers, which means the risk that larger companies may poach employees from small businesses is low.

The department has also been working with stakeholders to lower the risk that small businesses are disadvantaged in tendering for and completing Skills Guarantee projects, including by setting the project financial threshold as \$10 million or higher instead of \$7.5 million which is less likely to capture smaller suppliers. This is important as the Skills Guarantee PCP applies at the project level between a contracting agency and a supplier. A supplier on a Skills Guarantee project is responsible for ensuring that the labour hour requirements are met in line with the PCP, including those of their subcontractors. This means that smaller suppliers who may not have the capacity or capability to meet targets will be less likely to be disadvantaged by the Skills Guarantee, including because of consequences for non-compliance. In accordance with the Commonwealth Procurement Rules, the Skills Guarantee guidance to contracting agencies will also reiterate the importance to engage in fair competition and not unfairly discriminating against small and medium businesses to provide appropriate opportunities during procurement. Additionally, the size of the business can be considered a mitigating factor when considering a supplier's compliance with the Skills Guarantee PCP.

The department's approach to compliance is also mindful of the impact on regional and rural suppliers. Regional and rural suppliers will be provided the opportunity to outline mitigating factors which are preventing them from meeting targets, including skills shortages or limited training opportunities in the area. Suppliers will not be penalised for matters which are considered outside of their control.

Moreover, the staged implementation of the Skills Guarantee has allowed the necessary lead time for businesses to adjust their policies, purchasing procedures and recruitment processes ahead of the mandatory apprentice and trainee targets coming into force in July 2024. In addition, the department is also developing supplementary operational guidance material for contracting agencies and suppliers to help them further understand their obligations under the Skills Guarantee, including checklists for contracting agencies to determine project eligibility, minimum reporting requirements, a template and

⁹² The rate is derived by calculating the number of apprentices and trainees in-training as at June 2023 as a percentage of employed persons as at May 2023 in the construction industry. Source: Australian Bureau of Statistics. (2023, May). Labour Force, Australia. ABS. <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/may-2023>. NCVET June 2023, Australian vocational education and training statistics: apprentices and trainees 2022 — June quarter.

guidance on how to develop a Gender Equality Action Plan and frequently asked questions. The supplementary operational guidance material will be published on my department's website ahead of 1 July 2024 to assist suppliers and contracting agencies plan for tenders.

Suppliers may be able to access support networks to assist with the recruitment and retention of their apprenticeship workforce, including Group Training Organisations and the Australian Apprenticeship Support Network Providers⁹³. Suppliers may also be eligible for Commonwealth apprenticeship financial incentives⁹⁴, such as a Priority Wage Subsidy reimbursing part of paid wages up to 3 years for occupations listed in the Australian Apprenticeships Priority List⁹⁵, Hiring Incentive of two instalments at 6 and 12 months after commencement for eligible employers of apprentices undertaking Cert II or above in occupations not on the priority list; and Disability Australian Apprentice Wage Support providing 12 months of support for full-time apprentices and pro-rate for part-time apprentices for hours worked, who are undertaking Cert II or higher qualification. Additional off-the-job training is also available to support suppliers, such as mentoring, translation and tutorial services.

Apprentices, trainees or ICT cadets may also be eligible for fee-free training⁹⁶ working in construction or ICT and this may assist with ongoing costs to suppliers.

Recognising the numerous entry-level pathways into ICT roles, and that apprenticeship pathways are less common, targets for major ICT projects will be negotiated with contracting agencies on a project-by-project basis, based on workforce information provided by potential suppliers during the procurement process. This approach will support the collection of data on entry-level pathways in the ICT sector, including for paid cadets, and enable the development of apprentice/trainee/paid cadet targets and targets for women for all major ICT projects. The data collection will also support potential future development of targets for women for all major ICT projects.

Constraints for implementation

Visibility of ICT cadetships is low

Apprenticeships and traineeships are a regulated employment arrangement, delivered through the VET system and based on a Training Contract. Cadetships are not regulated or reported in the same way as apprenticeships and traineeships, and there is no single definition or legal arrangement used when employers take on a cadet.

Recognising the numerous entry-level pathways into digital roles, and that apprenticeship pathways are less common in the ICT sector, targets for ICT projects will be negotiated on a project-by-project basis, based on workforce information provided by potential suppliers during the procurement process.

⁹³ [Australian Apprenticeships Support Network \(AASN\) | Australian Apprenticeships](#)

⁹⁴ [Financial support for employers | Australian Apprenticeships](#)

⁹⁵ [Australian Apprenticeships Priority List](#)

⁹⁶ [Support for priority cohorts | Australian Apprenticeships](#)

Women may face barriers working on major projects

While targets for women under the Skills Guarantee will provide incentives for employers to make changes to their recruitment and retention policies, changes to workplace culture and practices take time and commitment to fully implement. Consequently, some women may still face barriers accessing and staying in training on major projects.

The Skills Guarantee will work in conjunction with the proposed targeted support for apprentices, particularly the \$5 million program due to commence from 1 July 2024 to support women in apprenticeships which would support organisations to provide advice on culturally safe and inclusive workplaces such as major and flagship construction projects. This proposed support builds on the support available to women through the Women in Trades Programs for women undertaking trade apprenticeships.

The risk of workplace bullying, and harassment cannot be fully mitigated through the implementation of the Skills Guarantee and other initiatives. These issues are broader, structural concerns that require a multi-pronged approach by government and industries. The Respect@Work laws will apply to employers, including the positive duty on employers to take reasonable and proportionate measures to eliminate workplace sexual harassment, victimisation and gender discrimination, and the prohibition on any conduct that results in a hostile workplace environment on the basis of gender.

Question 7: Evaluation

Monitoring

The department will actively manage, monitor, and evaluate the Skills Guarantee to ensure the objectives are being achieved. This monitoring will include working with relevant Commonwealth agencies to troubleshoot any emerging issues and develop recommended implementation actions to address these. It will also include reviewing the effectiveness of the PCP annually and notifying the Department of Finance of the outcome, as per the PCP requirements.

Contracting government agencies will be required to monitor and manage performance of suppliers against targets in the Skills Guarantee PCP. In addition, they will also need to revise their approach-to-market and tender evaluation documentation to ensure that Skills Guarantee requirements are adequately reflected. This approach is in line with the approach taken for other procurement connected policies and will enable the department to conduct annual reviews of the PCP's effectiveness.

The reporting requirements for the Skills Guarantee PCP have been canvassed with stakeholders to ensure the requirements balance the need to monitor implementation of the Skills Guarantee and performance of suppliers while minimising administrative burden for stakeholders.

The Skills Guarantee PCP reporting will be the key mechanism for the department and contracting government agencies to monitor, manage and evaluate the Skills Guarantee.

Evaluation

Annual reviews

The department will conduct annual reviews of the Skills Guarantee PCP's effectiveness, commencing 1 July 2025. These reviews will use data provided by suppliers to contracting agencies and will be done in consultation with contracting agencies.

The annual reviews will assist to assess the overall success of eligible projects in meeting the Skills Guarantee targets, the appropriateness of the \$10 million and \$100 million thresholds, and help determine if changes are required to the Skills Guarantee PCP guidelines to achieve the best outcomes.

The Department of Finance will also be notified of the Skills Guarantee annual review outcomes, per the requirements under the *Commonwealth Grants and Procurement Connected Policies (RMG 415)*.

Annual reviews will consider how the policy has met the Government's objectives outlined under

Question 2:

Primary problem objectives

- Increase entry level pathways in construction and ICT sectors
- Increase commencement rates for apprentices, trainees and ICT cadets

- Reduce the current and future skills shortages in the construction and ICT sectors, including drawing on the underutilised female labour force

Sub-problem objectives

- Reduce gender segregation by increasing female participation in construction and ICT sectors
- Reduce female unemployment rates and increase female labour force participation

Evaluation expectations

Targets for major construction project targets have been set based on current participation rates for apprentices/trainees and targets for women have been set only slightly above current rates of participation for women in apprenticeships/traineeships and trade apprenticeships/traineeships. Therefore, the uplift required by suppliers to meet the targets is less than one percentage point above June 2022 rates of participation for women in apprenticeships/traineeships and trade apprenticeships/traineeships. As flagship construction projects will be required to propose more ambitious targets for women that may require changes to a suppliers' hiring practises, there may be a lower rate of compliance.

Major ICT project targets will be proposed by suppliers on a project-by-project basis, the department expects suppliers to propose achievable targets.

Implementation evaluation

The implementation evaluation will also consider the following questions related to the policy's implementation:

- Has the policy been fully implemented?
- Are the Skills Guarantee PCP targets set at an appropriate level and are they effective?
- Is the reporting solution effective and easy to use for stakeholders?
- What are the impacts of the policy on the administrative processes of government entities?
- Are there any negative outcomes from the policy (including unintended consequences)? For example, suppliers gaming the system to avoid Skills Guarantee targets.
- Have contracting agencies identified instances of non-compliance? How many? Does the policy need to prevent the identified non-compliance in the future?
- Should the policy be expanded to other sectors?
- Is the policy still necessary?

Conclusion

This IA has been developed to support the consideration of reporting and PCP guidelines for the Skills Guarantee in the 2024–25 Budget process. The department’s analysis has found that to support the success of the Government’s election commitment of an Australian Skills Guarantee, the Government should implement a Skills Guarantee PCP. While the Skills Guarantee PCP would place some additional burden on potential tenderers, suppliers and contracting government agencies, the future benefits to the construction and ICT workforce will outweigh the costs. Improving social inclusion will provide a boost to the Australian economy, lift GDP growth, improve health and education outcomes, increase workplace productivity and reduce the cost of social services.

The implementation of the Skills Guarantee represents clear opportunity to help address skills shortages and gender segregation in the construction and ICT sectors.

The Skills Guarantee PCP is important to address skills shortages in construction and ICT

As outlined, the Australian economy is facing broad-based skills shortages with demand for public infrastructure now substantially exceeding the capacity of the existing workforce.⁹⁷ As of October 2022, public infrastructure projects, including small capital projects, face a shortage of 214,000 skilled workers.⁹⁸ The shortage of skilled workers is projected to grow to a peak shortage of 248,000 people in 2023.⁹⁹

By leveraging the significant purchasing power of the Australian Government, the Skills Guarantee PCP will ensure a proportion of all labour hours worked on major projects must be undertaken by apprentices, trainees, and ICT cadets. This will drive sustained, long-term demand for apprentices, trainees, and ICT cadets to create a greater pool of skilled workers. The Skills Guarantee PCP will utilise Commonwealth Government investment in major projects to leverage changes in the lack of entry level career pathways in construction and ICT sectors to help train the next generation of skilled workers.

The Skills Guarantee PCP is important for gender equity

The Skills Guarantee PCP will encourage greater workforce diversity on major projects by introducing targets for apprentices and women.

Setting and increasing targets over time will drive the long-term sustainable change required to address the structural problems of gender segregation in the construction and ICT industries that is limiting opportunities for women and constraining the supply of skilled labour the Australian economy needs. It will also send a clear signal to businesses that they will need to adapt their strategies to recruit and retain women if they are to be competitive in winning future Australian Government business.

⁹⁷ Infrastructure Australia, *Infrastructure Market Capacity*, November 2022.

⁹⁸ Infrastructure Australia, *Infrastructure Market Capacity*, November 2022.

⁹⁹ Infrastructure Australia, *Infrastructure Market Capacity*, November 2022.

The expected burden on businesses is small

The department expects the burden on businesses to be small as the targets set by the Skills Guarantee PCP are achievable. Data at the industry level indicates that around one in 10 workers may already be an apprentice or trainee in 2023 in the construction industry. Similarly, the initial targets for women were only been set 0.8 and 0.7 percentage points above the June 2022 rates of participation of women in apprenticeships/traineeships and trade apprenticeships respectively. This approach ensures these targets drive change while still being achievable. As noted earlier, these percentages have changed to 4.9% (for apprentices and trainees in construction who were women) and 3.5% (for women in trade apprenticeships) as at June 2023.

Additionally, the department notes that the Skills Guarantee PCP may increase the costs for business completing tender responses and delivering major projects. However, the department expects this burden to be minimised by businesses experience implementing similar policies which have been set by states and territories.

The department will also develop resources and engage in education of tenderers, suppliers, state and territory governments, and Commonwealth contracting agencies to ensure there is a consistent understanding of the obligations under the Skills Guarantee.

Net benefit outweighs costs

The department acknowledges there are costs associated with the Skills Guarantee PCP and reporting, especially for potential tenderers, suppliers, and contracting agencies. The benefits are not necessarily monetised rather capitalise on Commonwealth procurement to help address skills shortages and increasing the engagement of women in the workforce will offset the costs. By providing more employment opportunities to Australians supports a stronger economy with a more skilled workforce for future needs.

Appendix A. State and territory government policies

As at: 3 October 2023

NSW

Infrastructure Skills Legacy Program (commenced in 2016)

- Sets minimum targets for employment of apprentices, trainees, learning workers, and women on **infrastructure procurement contracts**.
- At or over \$10 million:
 - **20%** of the trades workforce to be apprentices/trainees
- At or over \$100 million:
 - **2%** of the trades workforce to be women*
 - **20%** of the project workforce to be learning workers (all apprentices/trainees are reported against both the apprentice target and learning worker target).

*NSW Government have set a goal under the Women in Construction Strategy for women to occupy 15 per cent of trade and non-traditional roles by 2030 within the construction industry. They are trialling minimum targets on select infrastructure projects (4% of trades workforce to be women, 7% project workforce to be women in non-traditional roles).

VIC

Major Projects Skills Guarantee (commenced in 2016)

- Sets a target for the use of apprentices, trainees and cadets on **construction projects**:
 - At or over **\$20 million**: **10%** of total estimated labour hours to be undertaken by apprentices/trainees/cadets.

Building Equality Policy (commenced in 2022)

- Applies to all publicly funded **construction projects** valued at **\$20 million** or more. Suppliers must:
 - Action 1: meet specific gender equality targets.
 - **Women** required to perform at least **3%** of the contract works' total estimated labour hours **for each trade position**.
 - **Women** required to perform at least **35%** of the contract works' total estimated labour hours **for each staff position**.
 - **Women** required to perform at least **7%** of the contract works' total estimated labour hours **for each non-trade Construction Award covered labour position**.
 - Action 2: engage **women** as apprentices and trainees: **4%** of the contract works' total estimated labour hours performed by women in apprenticeships or traineeships.
 - Action 3: implement **Gender Equality Action Plans**: Suppliers are required to provide 2 Gender Equality Action Plans – project-specific and organisation-wide – when submitting interest/tenders.

QLD*Building and Construction Training Policy (commenced in 2014)*

- Sets target for apprentices, trainees, and workforce training on QLD Government **building projects** (with a contract sum of **\$500,000** or more) and **civil construction projects** (with a contract sum of **\$3 million** or more).
 - **10%** of the total labour hours be undertaken by **apprentices or trainees** and other workforce training.
 - **15%** of the total labour hours for projects with a contract sum of **\$100 million** or more to be undertaken by apprentices or trainees and through other workforce training.

National Association for Women in Construction (NAWIC) commitment (commenced in 2014)

- The Queensland Government is committed to the **11%** target of the National Association for **Women in Construction** and is actively pursuing initiatives to exceed this target on projects.

NT

- No overarching targets for apprentices and trainees.

WA*Priority Start Policy (commenced in 2019)*

- Seeks to increase training rate for apprentices and trainees on building constructions, civil construction and maintenance contracts.
- Over \$5 million:
 - **11.5%** of construction trades workers for **building construction and maintenance contracts** are an apprentice or trainee.
 - **5%** of construction trades workers for **civil construction** are an apprentice or trainee.

SA*South Australian Industry Participation Policy (commenced in 2018)*

- Requires **Industry Participation Plans** for **major construction projects** to seek to achieve a target which includes apprentices and trainees.
- Over **\$50 million: 20%** of all labour hours be undertaken by nominated groups, including apprentices and trainees.

TAS*Building and Construction Training Policy (commenced in 2002)*

- Mandates a target for engagement of apprentices and trainees on **building and civil construction** projects.
- Applies to **building and construction projects** valued at **\$250,000** or more: **20%** of the total labour hours on building and construction projects be undertaken by apprentices or trainees.
- For **civil construction projects** valued at **\$5 million or more**: **10%** of the total labour hours be undertaken by apprentices and trainees or employees engaged on the project undertaking other workplace training.

ACT*Inclusive apprenticeships under the Skilled to Succeed Policy (commenced in 2019)*

- Dedicated targets for apprentice employment on major infrastructure projects. It sets targets for employing and supporting apprentices and trainees, with identified focus groups for each. **No minimum threshold for major projects that are in scope.**
 - **Raising London Circuit and light rail Stage 2A**: **10%** of labour spend on employing and supporting apprentices and trainees, and an additional focus on supporting women in trades and Aboriginal and Torres Strait Islander apprentices.
 - **The Canberra Hospital Expansion**: **30%** ratio of apprentices, trainees and cadets across its total workforce.
 - The construction of **CIT Woden**:
 - **10%** of work to be undertaken by apprentices and trainees.
 - minimum requirements for the employment of women in construction roles.

Women in Construction Procurement Policy (proposed to commence 1 July 2024)

- The ACT Government is developing a procurement policy for women in construction procurements.
- For **construction** contracts estimated at or over **\$5 million**:
 - Suppliers can choose to meet contract-based targets or supplier-based targets.
 - Contract targets: **Women** to perform **25%** of the total estimated labour hours, with 5% of the total estimated hours for trade covered labour and non-trade construction award covered labour roles performed by women.
 - Supplier targets: **Women** represent **30%** of the supplier's workforce, including:
 - Women represent 3% of all trade covered labour positions.
 - Women represent 7% of all non-trade Construction Award covered labour positions.
 - Women represent 25% of all management/supervisory and specialist labour positions.
- **Over \$10 million**, and an anticipated contract term of **3 years or more**:
 - **Women** to represent **20%** of total estimated labour hours for registered apprentices and trainees.

Appendix B. Regulatory Burden Estimates (RBE)

Option 1 Regulatory burden estimate

For Option 1, the regulatory cost is neutral with no policy changes. In jurisdictions where similar workforce targets were set, suppliers will continue to meet reporting requirements as set by state and territory authorities for their projects. There will continue to be no workforce targets for Commonwealth projects.

Table 9: Average annual regulatory costs for Option 1

Average annual regulatory costs				
Change in costs (\$ million)	Individuals	Business	Community organisations	Total change in cost
Total, by sector	\$0	\$0	\$0	\$0

Option 2 Regulatory burden estimate

For Option 2, the estimated low and high regulatory burden for additional tasks for the Skills Guarantee includes 3 costs: cost to businesses when developing tenders; changes to businesses recruitment (including training); and businesses reporting to contracting agencies (including record keeping).

Total regulatory burden estimate

Table 10: Average annual regulatory costs for Option 2

Average annual regulatory costs				
Change in costs (\$ million)	Individuals	Business	Community organisations	Total change in cost
Total, by sector	\$0	\$0.600 – 1.424	\$0	\$0.600 – 1.424

Assumptions

Some assumptions have been established during the consultations with stakeholders. The RBE of the Skills Guarantee is based on the following assumptions:

- The Skills Guarantee will increase the cost to suppliers to tendering, recruitment and reporting.
- The number of Skills Guarantee contracts is similar to the 2022–23 financial year. Based on AusTender data from the 2022/2023 financial year, around 102 contracts would have been in scope for the Skills Guarantee, across 76 suppliers and inclusive of 8 flagship construction projects.
- Based on AusTender data from 2022/2023, suppliers on 8 flagship construction projects would be required to complete a Gender Equality Action Plan and propose higher, more ambitious targets for women.

- Contractual, compliance and reporting requirements will be managed by the relevant contracting agency.
- Estimates do not differentiate between suppliers and sub-contractors, for example, the estimated time is for the suppliers to report to the contracting agency.
- The same rate of contracts for each financial year, the same rate of contracts commencing and ending.

Tendering cost estimate

Table 11: Tendering cost

Average annual regulatory costs				
Change in costs (\$ million)	Individuals	Business	Community organisations	Total change in cost
Low estimate	\$0	\$0.486	\$0	\$0.486
High estimate	\$0	\$0.971	\$0	\$0.971

Assumptions

- The scale and costs of additional work required by tenderers because of the Skills Guarantee may vary from \$485,520 to \$971,040 over a financial year.
- The low estimate is based on:
 - 102 approaches to market captured by the Skills Guarantee¹⁰⁰
 - 5 potential suppliers responding to each approach to market
 - 1 employee per supplier spending an additional 8 hours on each tender at \$119 per hour¹⁰¹
- The high estimate is based on:
 - 102 approaches to market captured by the Skills Guarantee¹⁰²
 - 10 potential suppliers responding to each approach to market
 - 1 employee per supplier spending an additional 8 hours on each tender at \$119 per hour¹⁰³.
- Additional tasks for tenderers for the Skills Guarantee include, reviewing and understanding the new Skills Guarantee model clauses and PCP guidelines, calculating the estimated labour hours of the eligible project and applicable percentage of labour hours to be undertaken by apprentices,

¹⁰⁰ This assumption uses the number of Skills Guarantee contracts commencing in the 22–23 FY as a proxy.

¹⁰¹ The hourly rate is based on an annual salary at \$200,000 plus oncosts.

¹⁰² This assumption uses the number of Skills Guarantee contracts commencing in the 22–23 FY as a proxy.

¹⁰³ The hourly rate is based on an annual salary at \$200,000 plus oncosts.

trainees, ICT cadets and women for the eligible project, and determining their ability to comply to the Skills Guarantee requirements for declaration in the tender submission.

Recruitment cost estimate

Table 12: Recruitment cost

Average annual regulatory costs				
Change in costs (\$ million)	Individuals	Business	Community organisations	Total change in cost
Low estimate	\$0	\$0.109	\$0	\$0.109
High estimate	\$0	\$0.271	\$0	\$0.271

Assumptions

- The full impact of the targets on suppliers' recruitment processes (i.e., if a supplier needs to hire an apprentice) is unknown.
- Suppliers may require changes to advertising, screening, interviewing, onboarding, support, and training to meet and comply with the Skills Guarantee.
- Additional recruitment costs for suppliers may vary from \$108,528 to \$271,320 over a financial year.
- The low estimate is based on:
 - 1 employee spending 8 hours at \$29.75 per hour¹⁰⁴ across 76¹⁰⁵ suppliers undertaking minimal recruitment changes, including utilising existing employees to meet overarching apprentice targets.
 - 1 employee spending 40 hours at \$29.75 per hour across 76¹⁰⁶ suppliers for additional recruitment changes to meet women's targets, including recruiting for higher flagship construction projects targets.
- The high estimate is based on:
 - 2 employees spending 40 hours at \$29.75 per hour across 76¹⁰⁷ suppliers undertaking extensive additional recruitment process changes to recruit and onboard to meet targets.

¹⁰⁴ The hourly rate is based on an annual salary at \$50,000 plus oncosts.

¹⁰⁵ This assumption uses the number of different suppliers on Skills Guarantee contracts which commenced in the 22–23 FY as a proxy.

¹⁰⁶ This assumption uses the number of different suppliers on Skills Guarantee contracts which commenced in the 22–23 FY as a proxy.

¹⁰⁷ This assumption uses the number of different suppliers on Skills Guarantee contracts which commenced in the 22–23 FY as a proxy.

- 1 employee spending 40 hours at \$29.75 per hour across 76 suppliers¹⁰⁸ for additional recruitment changes to meet women's targets, including recruiting for higher flagship construction projects targets.

Reporting cost estimate

Table 13 estimates the total number of hours for quarterly reporting on all the eligible contracts on AusTender which would have been captured by the Skills Guarantee if it were in effect in the 2022–23 financial year. The table uses the assumption that quarterly reporting takes 30 minutes per instance to gather and input the necessary information. The estimation is a calculation based on consultation feedback, which included one supplier that the proposed reporting would be unlikely to take longer than 30 minutes to complete.

Table 13: Estimated number of supplier hours for quarterly reporting

Description	Total
Total AusTender contract notices over \$10 million in the 22–23 FY (for all C'th entities) ¹⁰⁹	102
Low estimate	
Time taken to report per contract, per year (.5hr x 4)	2
Time taken to report for all contracts in 22–23 FY (hrs)	204
High estimate	
Time taken to produce report per contract, per year (5hr x 4)	20
Time taken to produce reports for all contracts in 22–23 FY (hrs)	2040
Time taken assurance checking report per contract, per year (5hr x 4)	20
Time taken assurance checking for all contracts in 22–23 FY (hrs)	2040

Table 14: Reporting cost

Average annual regulatory costs				
Change in costs (\$ million)	Individuals	Business	Community organisations	Total change in cost
Low estimate	\$0	\$0.006	\$0	\$0.006
High estimate	\$0	\$0.182	\$0	\$0.182

¹⁰⁸ Number of estimated construction and building services in scope for the Skills Guarantee based on 2022-2023 AusTender data.

¹⁰⁹ This figure only projects the number of new contracts as the Skills Guarantee will only apply to new procurements; AusTender contracts includes the Building and Construction and Maintenance Services, Education and Training Services, Engineering and Research and Technology Based Services, Management and Business Professionals and Administrative Services, Public Utilities and Public Sector Related Services categories based on the UNSPSC codes referenced in the draft Procurement Connected Policy (PCP) for inclusion in the Skills Guarantee PCP.

Assumptions

- Additional reporting costs for suppliers may vary from \$6,069 to \$182,070 over a financial year.
- The low estimate is based on:
 - 102 contracts
 - 1 employee spending 2 hours reporting per financial year, per contract, at \$29.75 per hour
- The high estimate is based on:
 - 102 contracts
 - 1 employee spending 20 hours reporting per financial year, per contract, at \$29.75 per hour
 - 1 employee spending 20 hours assurance checking per year, at \$59.50 per hour, per contract¹¹⁰
- The 2 estimates are dependent on data integrity and assurance checks, and suppliers' IT systems.
- Supplier reporting obligations will be quarterly and a final report provided to their contracting agencies on completion of the contract.
- Additional training may be required by supplier employees to learn the new reporting process and Skills Guarantee compliance and reporting requirements.
- Additional time and resources may be required to confirm the accuracy and integrity of data entry for reporting and compliance purposes, in addition to the estimated 30 minutes to complete reporting in **Table 14**.

¹¹⁰ The hourly rates are based on an annual salary of \$50,000 plus oncosts for 1 reporting employee and an annual salary of \$100,000 plus oncosts for a manager reviewing reporting.