



Australian Government
Department of Employment
and Workplace Relations

A revised methodology for the Australian Apprenticeship Priority List

A Discussion Paper on recommendations to
support a more targeted apprenticeship
gateway to improve economic and social
outcomes

Overview

The Australian Apprenticeship Priority List (the Priority List) identifies occupations eligible for apprenticeship incentives provided by the Australian Government. The Priority List is a tool used to prioritise government investment in the Australian Apprenticeship Incentive System (the Incentive System), balancing the finite resources of government while aiming to maximise return on investment by encouraging apprenticeship commencements and completions in VET-level occupations with genuine apprenticeship pathways that are facing national skills shortage.

The current methodology determines priority based on occupation classifications by the Australian Bureau of Statistics (ABS) and shortage analysis by Job and Skills Australia (JSA). An overview of the process and governance is set out [in the current methodology section](#).

The Strategic Review of the Australian Apprenticeship Incentive System (the Strategic Review) recommended transitioning to an incentives gateway that is aligned with the government's economic priorities and social equity objectives, and is transparent, and informed by evidence-backed advice from JSA (Recommendation 2.1).

This discussion paper explores the Strategic Review's evidence, findings and recommendation for a new principles-based methodology for the Priority List. The purpose of this paper is to gather your feedback on:

- Elements of the Strategic Review Recommendation 2.1 regarding the Priority List (see recommendation below).
- Potential principles to underpin a revised methodology for the Priority List.
- Any additional evidence you wish to share and your insights on potential impacts if government adopted Strategic Review Recommendation 2.1.

When reading this paper, consideration should be given to the Strategic Review's argument for focussing government's finite funding envelope on a more targeted and prioritised Incentive System.

Rationale

The Strategic Review, published in January 2025, recommended the "gateway" to the incentive system is revised to better align with Australia's economic priorities and social equity objectives to support critical skills needs. It raised the following concerns with the current Priority List methodology:

- There are occupations in national shortage eligible to receive a government incentive payment despite not representing value for money or a demonstrable public benefit, such as horse trainers, flight attendants and gymnastics coaches.
- The Priority List's focus on national shortage misses occupations that need apprentices, such as those needed to meet specific jurisdictional or regional skills priorities and those important for Australia's broader economy and social fabric.

- The Priority List is not always flexible enough to address emerging skills shortages in occupations that might only be small in numbers yet critical for a particular industry.
- There is limited transparency over how the Priority List is updated and maintained.
- Producing a smaller, more targeted Priority List could support an increase to the quantum of financial incentives provided to apprentices and employers within the same funding envelope (i.e. the same funding split between fewer priority occupations).

Government must determine how best to prioritise and address these issues. In doing so, Australia's economic and social equity objectives must be better defined – beyond just identifying key industries – to inform the methodology and identify a flexible yet consistent approach to updating the list on an annual basis using the new methodology.

Strategic Review Recommendation 2.1

The Australian Government aligns incentives with its economic priorities and social equity objectives, informed by evidence-backed advice from Jobs and Skills Australia, the Australian Bureau of Statistics and the Department of Employment and Workplace Relations. The gateway to the incentive system is reframed using the following process:

- *The current employer incentive settings and eligibility remain in place until 1 July 2025.*
- *The transition to an incentives gateway aligned with the Government's economic priorities and social equity objectives is transparent, evidence-based and allows sufficient time to engage with stakeholders.*
- *The Minister for Skills and Training determines the Government's economic priorities and social equity objectives. This determination directs the work of Jobs and Skills Australia and the Department of Employment and Workplace Relations.*
- *Jobs and Skills Australia, in collaboration with the Australian Bureau of Statistics, identifies national, state/territory and regional skill shortages that align with the Government's economic priorities. The Department of Employment and Workplace Relations considers occupations beyond the current priority of Australian and New Zealand Standard Classification of Occupations Major Groups 3 and 4 to ensure they capture construction and construction-related occupations, as well as information and communications technology occupations at the vocational education and training-level that are in shortage. Jobs and Skills Australia quantifies the extent of shortage in each occupation.*
- *The Department of Employment and Workplace Relations reviews the data provided by Jobs and Skills Australia to ensure it aligns with the Minister's determination regarding national economic priorities and social equity objectives. The department takes into account the extent of non-compliance and the level of wage premium as it applies to an occupation in determining the appropriate gateway to the incentive system. Further, the department recommends the level of employer incentives and apprentice support payments having regard to the macro-economic environment.*

Current methodology

The Priority List represents a point-in-time assessment of occupations in shortage, where an apprenticeship is a required or preferred training pathway. Under current settings, the majority of apprenticeship incentive payments, as well as assistance under the Australian Apprenticeship Support Loan (AASL) program, are confined to apprenticeship occupations and qualifications on the Priority List.

The 2025 Priority List is based on the new Occupation Standard Classification for Australia (OSCA) – previously the Australian and New Zealand Standard Classification of Occupations – to identify those occupations on the Occupational Shortage List (OSL) that fall into either *Major Group 3 – Technicians and Trades Workers* or *Major Group 4 – Community and Personal Service Workers*.

The Priority List is updated on 1 January each year by the Department of Employment and Workplace Relations (DEWR). Objectivity and a reliable evidence base are important factors in defining the methodology to ensure the Priority List is not predominantly influenced by stakeholder pressure. Only VET qualifications (AQF Level 6) are eligible to be included on the Priority List.

The current methodology for the Priority List identifies occupations that are:

1. classified by the ABS as being in:
 - a. Major Group 3 - Trades and Technicians; or
 - b. Major Group 4 - Community and Personal Service Workers, **and**
2. assessed by JSA on the OSL as being in 'national shortage'.

Major Groups 3 and 4 are used because they largely contain occupations for which an apprenticeship pathway is a preferred mechanism for obtaining the relevant qualification to the occupational outcome. A limitation of this methodology is that any apprenticeships which may exist outside of Major Groups 3 and 4 do not have access to incentives, even if their occupations may be in national shortage. States and territories are also responsible for declaring an apprenticeship in the relevant occupation, including selecting the corresponding qualification.

Qualifications listed on the Priority List are updated at the end of each quarter (March, June, September) to identify and add any newly released qualifications. This ensures all qualifications included are representative of skill and technological developments aligned to changing industry needs, and that no apprentice is disadvantaged while seeking to obtain support. Qualifications or occupations are only removed from the Priority List at 1 January each year. Training.gov.au is used to identify new qualifications.

Principles for developing the new Priority List

The Strategic Review identified a new Priority List methodology could underpin eligibility for apprenticeship incentives. The Strategic Review recommended it should seek to fiscally manage the Incentive System to balance investment towards current and emerging skills needs while also considering key government economic and social priorities. Potential solutions involve a combination of principles and methodology, and ongoing responsibility.

The following principles could be used as a guide in the development of the new methodology, aligned with the findings of the Strategic Review. The new Priority List should:

- Be robust, objective, transparent and evidence-based.
- Be simple and easy to understand for system users.
- Be targeted at supporting critical sectors and national priorities, for example construction and housing, care and support, defence and manufacturing, and information and communications technology (ICT) occupations.
- Have the flexibility to support government's key social objectives, including the National Agreement on Closing the Gap, gender equality and outcomes under Australia's Disability Strategy. This could be informed by analysis of employment outcomes for these groups across the skills system.
- Enable opportunities to support specific priorities or needs of individual states and territories, and in regional areas. This could be informed by analysis of local labour market conditions and how apprenticeship use differs in each jurisdiction.
- Consider other economic factors beyond skills shortage ratings such as wage premiums and the macro-economic conditions which have been found to influence behaviour (see below).
- Be more nuanced in selecting occupations from Major Groups 3 and 4, consider occupations from other Major Groups that are in shortage and have a mandatory or preferred apprenticeship pathway, and consider occupations with specific qualification or licensing requirements or relevant to emerging apprenticeship models (such as Higher Apprenticeships).

Aligning the Priority List with the Government's agenda

As identified in the Strategic Review (Recommendation 2.1), priorities that align with the government's agenda might include, among other things, those identified in the Defence Strategic Review, Data and Digital Government Strategy and the Future Made in Australia agenda, Working for Women: A Strategy for Gender Equality, the National Agreement on Closing the Gap, the First Nations Clean Energy Strategy, Australia's Disability Strategy 2021-2031, Care and Support Economy National Strategy, and aged care reforms. The government has also committed to a Food Security Strategy to improve workforce shortages in the food supply chain.

Other options could be considered to help guide the Priority List methodology in a way that is more enduring beyond potential changes in government, such as those outlined in the National Skills Agreement (NSA) and Working Future: The Australian Government's White Paper on Jobs and Opportunities (Employment White Paper). While the NSA and Employment White Paper provide a tangible and objective view of Australian Government priorities, these each represent the point-in-time of their drafting.

The National Skills Agreement

Using the NSA as guidance would prioritise occupations that align with gender equality and Closing the Gap initiatives, as well as those that deliver housing supply, sustain essential care

services, support the Net Zero transformation, developing Australia's sovereign capability and food security, and ensure Australia's digital and technology capability.

As the NSA has been agreed to between the Commonwealth, and State and Territory governments, aligning the Priority List with the NSA priorities will contribute to the new stewardship model to support governments to work collaboratively towards shared national priorities. The new national stewardship model aims to coordinate strategic investment in skills across the economy and support the delivery of local, regional and national priorities. Defining priorities for the list based on the NSA priorities will bolster the work of the Commonwealth, and State and Territory Governments to ensure Australia has the skilled workforce it needs now and into the future. However, it is worth noting that the current NSA runs until the end of 2028 (although priorities can be reviewed and changed).

The Employment White Paper

The Employment White Paper, released in 2023, outlines five key forces shaping Australia's labour market: population ageing, rising demand for quality care and support services, expanded digital expertise, enabling the net zero transformation, and geopolitical risk. It emphasises the need to build a skilled and adaptive workforce to meet these challenges. The Employment White Paper highlights the importance of aligning education and training systems with evolving workforce needs to address skills shortages. Priority areas identified include the care and support economy, the clean energy sector, construction, education and training, and digital and technology-related fields. These sectors are central to achieving the Employment White Paper's objectives of sustained and inclusive full employment, job security, and a dynamic, resilient economy.

Considering other economic factors

Two examples were presented in the Strategic Review for how the Priority List may support economic priorities beyond a binary skills shortage assessment, and include consideration of:

- **Wage premiums** – the wage premium represents the amount of additional income a worker is expected to receive for becoming qualified in their occupation (i.e. after successfully completing their apprenticeship). Wage premiums vary considerably between industries and occupations and tend to be higher for apprenticeships than traineeships. Wage premiums also vary between trade apprenticeships, with electrician and plumbing apprenticeships having a higher wage premium compared to chef and hairdressing apprenticeships. The Strategic Review found that, historically, occupations with low wage premiums are more sensitive to the availability of incentive payments because they represent a larger share of the total value employers derive from their apprentice.
- **Macro-economic conditions** – the Strategic Review found trade apprenticeships are particularly responsive to changes in the business cycle, especially metal, electrical and building apprenticeships. It suggested that, to be effective, trade apprenticeship incentives should 'flex up' when the unemployment rate rises. It also suggested employer incentives for trade apprenticeships should generally be higher than the incentives for traineeships, reflecting the duration of the apprenticeship.

Other economic factors that might also be considered include:

- The cause of skill shortage and whether additional apprentices is a likely solution to occupational shortage.
- The availability of training places.
- Future demand based on projected employment growth.
- Emerging occupations and apprenticeship models, including Higher Apprenticeships.
- Outcomes from training and whether apprentices stay in the occupations they have trained for and experience positive wage progression.
- Employment outcomes for occupations with licensing requirements.
- Incidences of non-compliance by employers or industries, including wage theft.
- Micro-economic conditions as factor influencing the decisions of an individual apprentice or employer, noting that household and business motivations may differ.

While these potential options would provide the basis for a more nuanced methodology, they may risk introducing additional complexity to the Incentive System and may lead to significant additional costs for the Australian Government.

Considering social equity objectives

While the incentive system is primarily focussed on addressing economic issues, such as skills shortage status, the Strategic Review suggested it should also reflect a broader range of social equity objectives beyond just economic needs. For example, the Strategic Review identified First Nations-specific roles such as qualifications in the Indigenous Environmental Health training package, which, while not being in shortage, are critical to First Nations communities due to the relationship between people and their environment and, consequently, to meeting commitments and targets of the National Agreement on Closing the Gap.

The Strategic Review noted that “the characterisation of a particular objective as economic or social equity is not intended to suggest some sort of binary categorisation. There is a clear intersection between a number of these objectives.” However, it may not always be so simple. Gender imbalance exists in several industries experiencing significant skill shortages. In 2023, around 54 per cent of male-dominated trade occupations and around 40 per cent of female-dominated occupations were in labour shortages. For example, omitting certain professions could inadvertently result in a gendered impact.

Women are more likely to be enrolled in apprenticeships for occupations in industries where women are overrepresented. The Strategic Review found that key barriers to the participation of women apprentices in male-dominated trades were gender expectations, cultural norms and misconceptions about women’s capabilities to perform in these roles. These perceptions are formed early in life and influence the choices that boys and girls – and their parents – make about education and training through secondary school and beyond.

As economic requirements naturally evolve, the Priority List methodology must have an adaptable approach to the criteria that establishes who qualifies for them, ensuring they align with wider social needs (e.g. encouraging youth employment during economic downturns).

Opportunities and Risks

Balancing broad coverage versus targeted support

The Strategic Review found that broad and homogenous incentives are less effective than targeted incentives. The former are associated with an increase in the probability of cancelling an apprenticeship, a lack of alignment with priority skills, and sharp practice. Furthermore, a surge in commencements occurring from a rapid or large increase in employer incentives can place significant pressure on service providers, Registered Training Organisations (RTOs) and regulators, risking quality and facilitating sharp practice. Additionally, the more commencements are inflated, the lower the completion rate can be expected to fall, as more individuals are enticed by the incentive rather than the idea of training.

Incentives are provided within a finite government funding envelope. Careful consideration must be given to opening up eligibility to the Incentive System to additional occupations, and whether the Priority List enables a broad-based system which provides lower incentive value payments, or sets out a tighter, more targeted group of occupations in critical industries.

The revised methodology for the Priority List must also recognise that there are a finite number of potential apprentices, and that there are various reasons (outside of financial incentives) why a potential apprentice chooses to take up an apprenticeship in an occupation – including pay, flexibility, and culture. Therefore, identifying more occupations through the Priority List does not necessarily equate to an increase in apprenticeship commencements and completions.

There is an opportunity to restrict eligible Priority List occupations to areas where an apprenticeship is a necessary condition or the preferred/dominant pathway to completing a VET qualification. This would allow incentives to be better targeted to where they are needed, ensure a better return on government investment, and avoid encouraging employers to engage an apprentice in order to access incentives where it is not strictly necessary. Previous consultation on the Priority List has demonstrated support to focus on occupations more reliant on apprenticeship pathways. This could include identifying and reducing instances of competing government investment in apprenticeship and VET pathways for the same occupations.

Maintaining objectivity and transparency

There is value in maintaining the current objective, impartial nature in which the OSL informs the Priority List. Reforms to the methodology should avoid changes that would make it more susceptible to untapped lobbying pressure. Without an objective and impartial evidence base, maintaining the Priority List will become highly administratively burdensome. Eligibility criteria should be informed by robust, reliable data sources, such as the OSL and labour market data. However, there may also be opportunities to establish formal consultation processes, providing a transparent and defensible pathway to inform future iterations of the Priority List. This is also critical to ensure the Priority List and its development is aligned to the Outcomes and Priority Reforms of the National Agreement on Closing the Gap and with objectives of Working for Women: A Strategy for Gender Equality. Further, the Priority List methodology should be easy to understand both for system-users and from an administrative perspective.

Managing volatility and flexibility

JSA notes the Priority List is highly sensitive to any annual changes in occupation ratings in the OSL. This would especially be the case if an occupation flips back and forth over the threshold for being considered by JSA as in shortage, which is currently set at occupations with a vacancy fill rate below 67 per cent. This potential volatility may affect business activities, planning and recruitment. Also, businesses may not have enough time to adjust and adapt to changes in OSL ratings. Currently, to reduce volatility, incentives are grandfathered for the length of an apprenticeship, even if the occupation is removed part-way through the apprentice's journey.

While the Priority List must still have a degree of flexibility to be responsive to the changing economic environment and support additional apprenticeship commencements in areas of skills needs, moving to a dynamic list with constant updates may discourage employers from engaging in the apprenticeship system. Further consideration on how to balance a list that is responsive and flexible to economic conditions, as well as creating certainty by reducing volatility of annual shortage ratings, is required. This could include exploring whether to direct incentives toward occupations exhibiting persistent shortages and retaining occupations on the Priority List if they have been in shortage in the last three years, rather than just the most recent period. This option has been supported through previous consultation on the Priority List.

Questions for discussion

1. What, in your view, should be the core purpose and scope of the Priority List?
2. How should Australia's economic and social equity objectives be defined?
 - What is the best option to articulate Australia's economic and social equity objectives to guide the Priority List? E.g. NSA, the National Agreement on Closing the Gap, Employment White Paper or other?
 - Is it feasible to consider macro-economic conditions in determining eligibility?
 - Would it be appropriate to remove eligibility for occupations with low wage premiums and /or persistent levels of non-compliance with workplace laws? Would there be any perverse outcomes as a result?
3. To what extent should the Incentive System be able to flex up and down (i.e. quantum and eligibility) in response to shifting economic conditions and how might this be balanced with ensuring objectivity and certainty?
 - If the Incentive System is able to flex up and down, how often should settings be reviewed to ensure appropriate adjustments are made?
4. What is the most effective process for identifying and making updates to the Priority List, and at what frequency?
5. Should occupations with viable non-apprenticeship pathways have access to incentives?
6. How can the Priority List capture and support new and emerging occupations or apprenticeship pathways?
7. Should the Priority List have a jurisdictional or regional element to it?
8. Should government take a narrower approach to the Priority List to better target incentives to the most critical priorities and shortages?

9. Should the Priority List identify different types of occupation shortages (i.e., attraction, completion or retention gaps) so that incentives can be tailored accordingly?
10. The current Priority List methodology is focused on OSCA Major Groups 3 (Trades and Technicians) and 4 (Community and Personal Service Workers), should this be expanded to other Major Groups and on what basis?