

30 October 2020

Consultation Manager
National Priorities and Industry Linkage Fund
Department of Education, Skills and Employment
GPO Box 9880
Canberra ACT 2601

By Email: JobReadyGrads@dese.gov.au

Consultation on National Priorities and Industry Linkage Fund

Dear Sir/Madam,

As the voice of private capital in Australia, the Australian Investment Council is pleased to present its submission to the Department of Education, Skills and Employment for its consultation on *National Priorities and Industry Linkage Fund*.

Private capital investment has played a central role in the growth and expansion of thousands of Australian businesses and represents a multi-billion-dollar contribution to the Australian economy. Our members are the standard-bearers of professional investment and include private equity (**PE**), venture capital (**VC**) and private credit (**PC**) funds, alongside institutional investors such as superannuation and sovereign wealth funds, as well as leading financial, legal and operational advisers. Our members include both Australian domestic and offshore-based firms.

Private capital fund managers invest billions of dollars into Australian companies every year. Funds under management of Australian-based private capital funds topped \$33 billion in 2019, testament to the growth in available capital to support investment into businesses across every industry sector of the economy.

More and more businesses are choosing to raise capital from private investors, rather than through public markets, because of the benefits of partnering with venture, private equity and private credit firms. Private capital investors can help unlock the growth and expansion opportunities of businesses through active asset management in a way that public markets simply cannot. This is evidenced by the fact that private capital-backed Australian businesses generate 1 in 9 new Australian jobs and contribute 2.6% of Australia's GDP.¹

At this time, it is vitally important that the private capital industry partners with the government and university sectors to maintain the capacity to support the nation's innovation ecosystem, emerging entrepreneurs and their businesses. A critical component of supporting the current generation of entrepreneurs, which will drive innovation and contribute to the next wave of employment and economic growth, is ensuring Australia has a pipeline of the right skills and expertise, and skills gaps are filled in the immediate term. Collaboration with universities to commercialise research and scale-up new, fast-growth businesses is one area where this can be achieved.

This submission outlines policy initiatives aimed at regaining investment momentum, creating jobs and stimulating economic growth. The priority initiatives broadly are to:

1. **Fill skills and talent gaps and build a pipeline of skills** that will support Australia's future growth industries.
2. **Foster a culture of entrepreneurship and teach digital STEM skills** from primary through to tertiary education levels.
3. **Build more robust collaboration** between the university and private sector to **commercialise products** and services aligned to Australia's priority industries.

The Council looks forward to participating in any future discussion about the themes set out in this submission as part of the Department's consultation process. For questions on specific points made in our submission, please do not hesitate to contact me or Brendon Harper, the Australian Investment Council's Head of Policy and Research, on 02 8243 7000.

Yours sincerely



Yasser El-Ansary
Chief Executive

¹ Deloitte Access Economics (2018) Private *Equity: Growth and innovation*, April



Introduction

Australia's employment landscape is changing at a faster rate today than any time in recent history. Facilitated by technology-enabled businesses and a more global, complex and connected environment, the nature of work has transformed substantially year-on-year. This change has been intensified by COVID-19 which catapulted a large portion of the workforce into remote working, moved education and training online, disrupted the retail and hospitality sectors and halted business and recreational travel. The experience of 2020 has highlighted the need for a workforce that is equipped with skills that can be expanded and redeployed to meet a constantly changing employment landscape and to fulfill the skills needs of Australian businesses into the future.

Skills and talent are the lifeblood of growing and innovative businesses. Australia has a golden opportunity to be a destination of choice for high calibre talent through its attractive lifestyle, stable political system and future growth opportunities. The government's tertiary education reform agenda is a positive step towards generating skills that will be required for the future. It is also important that the businesses and industries that will generate the jobs of tomorrow, including future graduates, are grown and supported now.

As the pipeline of talent is grown within Australia, there are currently skills and talent gaps which need to be filled as a priority. For example, within the private capital sector this includes C-suite roles and where technical or specialist experience is required such as senior engineers, senior medical researchers and product managers. While Australia builds its local talent base, it has an opportunity to attract the world's best talent. This is particularly true with a number of developed countries implementing restrictive migration regimes and continuing to struggle to contain COVID-19. Additionally, the current environment may be conducive to attracting the Australian diaspora, who may have developed specialist skills overseas, to return home.

As a nation, Australia is well-positioned to emerge from the COVID-19 recession with innovative and new industries that will support future employment and economic growth. With the right policy settings, private sector collaboration with universities to commercialise research into viable products and companies will be an important part of this recovery process. To this extent, the private capital sector can play a pivotal role in realising the research from the early stage startup phase to commercialisation and developing fast-growth companies.

The recommendations below provide practical policy solutions that will help fill talent gaps in the short term and build a pipeline of talent to support Australia's growth industries that will create employment opportunities for the future. The policy solutions cover three core areas designed to:

1. **Fill skills and talent gaps and build a pipeline of skills** that will support Australia's future growth industries.
2. **Foster a culture of entrepreneurship and teach digital STEM skills** from primary through to tertiary education levels.
3. **Build more robust collaboration** between the university and private sector to **commercialise products** and services aligned to Australia's priority industries.



Summary of Recommendations

Recommendation 1: *Attract the best and brightest talent*

The Council recommends government boosts the offshore marketing of the national Global Talent Scheme to encourage some of the world's best and brightest skilled talent to move to Australia, and at the same time, encourage skilled Australians with valuable offshore experience in leading technology and innovation ecosystems to return home.

Recommendation 2: *Extend visas for foreign students*

The Council recommends government extend visas for foreign students who graduate from Australian universities in disciplines where there are skills shortages, allowing them to stay and work in Australia to build a pipeline of talent for Australia's new, knowledge-based economy.

Recommendation 3: *Foster entrepreneurship and teach digital STEM skills*

The Council recommends government allocates funding to institutions that can develop and deliver courses for tertiary students aimed at fostering entrepreneurship and teaching digital STEM skills.

Recommendation 4: *Fast-track the establishment of 'STEM Schools'*

The Council recommends government embeds STEM skills into the Australian School curriculum from primary school years through to tertiary education and fast-tracks the establishment of 'STEM Schools' modelled on Sydney Science College in Epping to expand accessibility for all Australians.

Recommendation 5: *Work with the private capital industry to map skills gaps*

The Council recommends that the department works with the private capital industry to identify skills gaps within existing job vacancies.

Recommendation 6: *Build more robust collaboration between the university and the private capital sector*

Utilise the expertise of the venture capital fund managers to partner with university research arms for the selection and commercialisation of research and investment into startup and early stage companies with a strong potential of providing employment and growth opportunities within Australia.



1. Skills and Talent

Skills and talent are the lifeblood of growing and innovative businesses. Australia has a golden opportunity to be a destination of choice for high calibre talent through its attractive lifestyle, stable political system and future growth opportunities. The government's recent announcement in relation to tertiary education reforms is a positive step towards generating the skills required in the future. It is also important that the businesses and industries that will generate the jobs of tomorrow, including for future graduates, are grown and supported now.

As the pipeline of talent is grown within Australia, there are currently skills and talent gaps within the private capital sector which need to be filled as a priority, this includes C-suite roles and where technical or specialist experience is required such as senior engineers, senior medical researchers and product managers. While Australia builds its local talent base, it has an opportunity to attract the world's best talent. This is particularly true with a number of developed countries implementing restrictive migration regimes and continuing to struggle to contain COVID-19. To this extent, the current environment may be conducive to attracting the Australian diaspora who may have developed specialist skills overseas to return home.

Recommendation 1: *Attract the best and brightest talent*

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Build the next generation of local talent

To compete against the world's best, Australia needs to attract and retain the world's best talent. This is particularly true for Australia as a net importer of capital and highly skilled talent. Education reforms, especially in STEM disciplines, will help build the next generation of local talent, but in the short-term, immigration reforms will help facilitate the entry of much needed specialist skills not available locally.

Skilled migration has been a key feature of Australia's migration system, playing an important role in generating economic growth for successive decades. Australia has had a long history of supportive policies to attract business entrepreneurs. However, the rising global mobility of workers and heightened competition for talent means that it is important for Australia to have policy settings that are effective in attracting a critical mass of "new economy" skilled workers. These entrepreneurs will help generate new and sustainable business opportunities within the Australian economy into the future and every effort must be taken to attract and retain that talent.

The global search for talent is compounded by ever-more-rapid changes brought about by technology and innovation. Australia has to stay competitive to attract and retain the best and brightest.

The Council is supportive of the government's Global Talent – Sponsored and Independent Programs. While it is still early days in the lifecycle of these policies, the Council believes that they represent a step in the right direction for Australia's future capability around skills development. Further refinement of skilled migration occupation lists will play an important supporting role in identifying those specific niche skills that Australia should prioritise in order to build future growth.

Australia has a strong record of attracting foreign students to tertiary education. Many of these students arrive on visas that are valid for the duration of their studies, and then return to their home countries to develop their careers. This pipeline of talent represents a potential source of the skills needed to address labour shortages in the short to medium-term.

Recommendation 2: *Extend visas for foreign students*

The Council recommends government extends visas for foreign students who graduate from Australian universities in disciplines where there are skills shortages, allowing them to stay and work in Australia to build a pipeline of talent for a new, knowledge-based economy.

As outlined in the *Australia 2030 Prosperity Through Innovation* report released by Innovation and Science Australia, growth in jobs and occupations requiring STEM skills are outstripping overall employment growth across the economy. While skilled



migration will help to address skills shortages in the near future, building a workforce from within Australia with relevant STEM skills will contribute to employment and future economic growth.

The Council works in close collaboration with faculty staff and students at the University of Sydney's School of Entrepreneurship on research projects which help to identify trends and new business and industry opportunities in Australia. This concept could be developed further in partnership with industry to deliver courses which aim to foster entrepreneurship and equip students to be job-ready when they graduate.

Recommendation 3: *Foster entrepreneurship and teach digital STEM skills*

The Council recommends government allocates funding to institutions that can develop and deliver courses for tertiary students aimed at fostering entrepreneurship and teaching digital STEM skills.

Building a pipeline of future employees with STEM skills from the Australian school system would help to increase the job prospects for Australians in the long term. The first STEM school in Epping, NSW will open in 2021 for students in Years 11 and 12 and is an example of a school environment which will prepare students for STEM-related university degrees.

Recommendation 4: *Fast-track the establishment of 'STEM Schools'*

The Council recommends government embeds STEM skills into the Australian School curriculum from primary school years through to tertiary education and fast-tracks the establishment of 'STEM Schools' modelled on Sydney Science College in Epping to expand accessibility for all Australians.

As stated above, there are skills and talent gaps, and job vacancies within the private capital sector which need to be filled as a priority. Gaining a full understanding of the vacancies and the skills needed to fill them would greatly assist with the development of the right skills mix amongst today's university students.

Recommendation 5: *Work with the private capital industry to map skills gaps*

The Council recommends the Department works with the private capital industry to identify skills gaps within existing job vacancies.

It has been widely recognised for several years that more university and industry collaboration is needed to commercialise research projects. The government has introduced policies aimed to address this, mainly by encouraging private sector companies to collaborate with public institutions such as universities and through introducing initiatives like the Cooperative Research Centre Projects, with funding on offer to partnerships looking to commercialise research.

However, the current state of Australian industry-university research collaboration is mixed, with collaboration appearing relatively strong in some contexts and absent in others. Australia is well-positioned to emerge from the COVID-19 recession with innovative and new industries that support future employment and economic growth. With the right policy settings, private sector collaboration with universities to commercialise research into viable products and companies, will be an important part of this recovery process. To this extent, the private capital sector can play a pivotal role in realising the research from the early stage startup phase to commercialisation and developing fast-growth companies.

Recommendation 6: *Build more robust collaboration between the university and the private capital sector*

Utilise the expertise of the venture capital fund managers to partner with university research arms for the selection and commercialisation of research and investment into startup and early stage companies which have good potential to provide employment and growth opportunities within Australia.