



AMWU

Skilled migration inquiry
Submission No. 52

23 May 2003

Richard Selth
Secretary
Joint Standing Committee on Migration
Parliament House
CANBERRA ACT 2600

Dear Mr Selth,

Re: AMWU Submission on Skilled Migration

Enclosed please find AMWU's submission on Skilled Migration.

Should you have any queries, please contact our Research Coordinator, Sally Taylor on (02) 9897 9133.

Yours sincerely,

DOUG CAMERON
NATIONAL SECRETARY

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Introduction

Immigration as a source of skilled labour is not an effective or desirable means of overcoming the failure of vocational education policy to meet long term labour market goals, including curing skill shortages. It is not in the national interest to use skilled migration to disguise systemic failures of policy in other areas of government.

To the limited extent that skilled migration programs can help to alleviate short term (counted in months, not years) skill shortages, they must be carefully integrated with national labour market policies including education and training.

This submission points out that of all the options available, skilled migration is the least desirable means to address skill shortages, particularly in the metals engineering and manufacturing sectors of the economy.

In terms of their ability to securing a strong and durable skill base, these sectors are facing some very significant problems including:

- The emergence of long-term skill shortages across a range of occupations;
- Declining apprenticeship commencements and completions;
- Lack of understanding among many employers of the commercial benefits of training;
- Erosion of industry skills caused by a growing dependency on small contractors and labour hire firms to provide skilled labour on short-term engagements.

Identified skill shortages

In a November 2002 report entitled *Nature and Causes of Skills Shortages – Reflections from the Commonwealth National Industry Skills Initiative Working Groups* (NISI), a number of broad conclusions were drawn about skill shortages in industries including engineering, electrotechnology and building and construction.

Of these, the observation that skill shortages are not confined to industries experiencing employment growth – that skill shortages are often evident in industries and occupations with subdued growth and even overall decline – is significant in that it points to solutions far removed from the short-term fixes offered by skilled migration programs.

Data collected over the past 20 years by the Department of Employment and Workplace Relations (DEWR) shows that while skill shortages vary through the business cycle, shortages in the metal trades have become more entrenched since 1997. Shortages in the automotive trades have been persistent since the mid-1990s (NISI, 2002:4). In these cases, skill shortages are associated with subdued employment growth and even employment decline.

There are two main reasons for this. Firstly, there has been growth in demand for **new** skills associated with increased international competition, structural

change and new technology. Second, cyclical downturns in employment reduce the number of training places on offer and hence, the number of completions years later when demand for skills has recovered. Equally significant is the number of qualified workers who lose their jobs during downturns and who do not later return to the industry. These cyclical factors are particularly pronounced in construction, engineering and electrotechnology.

Skill supply in decline

There has been a significant decline in apprenticeship training rates following the recession of the early 1990s.

Between 1974 and 1992, the training rate (the number of apprentices and others in training as a proportion of employment in the trades) averaged 12.7%. Between 1993 and 2001, the total average training rate declined to 10.6% - a total decline of 17% in the proportion of employees in training in the trades. Of the total decline, the decline in the training rate in the metals and electrical trades has contributed over half (Toner, 2002:3).

What does industry say are the causes of this rapid and serious decline in training rates and what does industry propose be done to arrest it? Certainly not by ramping up skilled migration programs to accommodate more trade and post-trade qualified migrants in engineering, vehicle and electrotechnology.

In its work on skill shortages commissioned by the former Minister for Education, Training and Youth Affairs, Dr. David Kemp, the NISI Engineering Working Group (the Working Group) examined the following terms of reference:

- Undertake research and/or provide evidence of research into the benefits of to employers of investment in training;
- Identify the skill set needs of each occupational area now and in the future (3-5 years) including common, cross-industry skill sets;
- Identify the impediments and/or barriers to satisfying these needs, and;
- Recommend initiatives and solutions (short, medium and long term) which may assist in addressing these needs.

The Working Group report concluded that there are significant and widespread skill shortages in the metal trades and that the preconditions exist for serious shortages to arise in specialised occupations such as metal fitters, machinists, toolmaking, steel welding and metal casting. These shortages will be a result of a serious decline in skill formation investment, particularly in engineering occupations.

Industry responses to skill shortages

The Working Group identified six principal objectives to address skill shortages. Each of these objectives were arrived at following a process of wide industry consultation including consultation among employers, a forum organised by Ai Group and a survey conducted by Ai Group and ACCI. The objectives are to:

1. "Make a long term paradigm shift in how the industry is perceived to establish a broad understanding of manufacturing as hi tech (sic), a

- developer, designer and user of information technology tools, and as a global industry with great opportunity for career and financial reward;
2. "Build a training culture within the industry that will support continual development of skills;
 3. "Build on the existing skills of the workforce;
 4. "Build on the provision, variety and uptake of pathways into apprenticeships;
 5. "Ensure the ready availability of high quality, consistent and timely information on skill shortages and Registered Training Organisations' responses to skill needs;
 6. "Improve outcomes from recruitment solutions to skill shortages."

The Working Group report sets out each of the objectives along with a prioritised strategic plan that identifies timelines, lead agencies, responsibilities and performance indicators by which achievement of the strategies can be measured. While the AMWU does not necessarily endorse the detail of each and every strategy or priority, the general thrust of the high priority strategies developed by the Working Group provide a basis on which to further develop policy to deal with skill shortages.

Among the high priority strategies developed by the Working Group are:

- "Promote manufacturing as a career destination and provide information on pathways to acquisition of trades qualifications and trade related skills (Objective 1);
- "Implement a marketing and information campaign to promote the benefits to employers of investment in training (Objective 2);
- "Support employers in broadening their traditional selection pool and advise on ways to attract and retain apprentices (Objective 2);
- "Improve employer access to Recognition of Prior Learning services for current employees through first identifying impediments to access. Strategies should support assessment of skills against the Metal And Engineering Training Package to identify skills and knowledge held and training required for skill gaps (Objective 3);
- "Audit and expand the take-up of school to industry links programs that support pathways to engineering qualifications and increase the amount and range of accredited vocational training options in schools (Objective 4);
- Investigate and identify reasons why employers do not take on apprentices through Group Training Companies (Objective 4);
- "Given the growing significance of labour hire companies as a source of skilled labour, conduct a project with labour hire companies to identify strategies to facilitate a greater role in skills development, particularly in increasing the take up of apprenticeships."

A further four strategies received a medium priority rating, while two were rated as low priorities. Of these, one dealt with skilled migration thus:

Ensure employers have information available to them on migration options as a mechanism for addressing skill shortages, and provide information to employers on the available mechanisms for recruitment of personnel from overseas (Objective 6).

Industry puts a very low priority on skilled migration as an answer to skill shortages, particularly the persistent shortages in the industries under consideration here.

The Ai Group/ACCI survey bears this out. The survey of 392 firms sought views on the causes of skill shortages and the best means of curing them. A little over half those surveyed (203) were in the metals and engineering sector while construction accounted for 26, automotive 25, air-conditioning 20, food 17, electronics manufacturing and rubber and plastics 12 each, while labour hire and packaging had nine and five respondents respectively.

Of all the firms surveyed, 49% reported experiencing skill shortages. In air-conditioning this figure rose to 93% and 62% of metals and engineering firms reported shortages. The occupations in greatest shortage were mechanical engineering tradespersons, fitters, metal machinists, toolmakers and fabrication trades.

Of the firms reporting skill shortages, 63% said the shortage was related to a general lack of people available with the requisite trade qualifications. Of the firms (40%) that reported a shortage of specific skills, the majority of skills in shortage were related to machine and process operations.

45% of firms reporting shortages said they were most prevalent at the base trade level, 32% at the skilled operator level, 31% at the post-trade level and 24% at higher qualification levels.

Methods to cure skill shortages

The most common successful methods of resolving skill shortages reported by firms in the Ai Group/ACCI survey were to train an apprentice (successful for 47% of firms experiencing a skill shortage), directly recruiting a tradesperson (40%), and informal training of existing employees (37.2%).

A mere 8 firms (2.2% of firms with skill shortages) reported success directly recruiting a tradesperson by sponsorship of skilled migration.

The survey showed that the methods preferred by firms to cure skill shortages demonstrated a close correlation with the most successful methods, while only five firms (1.2%) reported that they would prefer to directly recruit via a skilled migration program.

Conclusion

It is clear that skilled migration is neither an effective nor a desirable solution to curing skill shortages in the industries considered in this submission. It is probable that this is the case for a host of industries not mentioned here.

The answer to skill shortages lies in the provision of comprehensive, accessible and affordable vocational education and training becoming the focus of Australian labour market policy. This is clearly the view of the industry. Employers and their organisations, unions and the stakeholders in industry

training, while differing on details of how to get it right, are unanimously saying that current vocational education and training policies are simply not achieving the long term labour market objectives that they should.

In this respect, it is clear that earlier predictions about structural changes in the labour market and the damage they would do to skill formation systems are coming to pass. Unions have for years warned that increased reliance on labour hire firms and short-term, insecure forms of employment for the supply of skilled labour would bring about a real decline in the training rate and amplify the effects of an ageing workforce on the supply of skills. Until recently these warnings were ignored and we are pleased that finally the problem is being recognised.

What concerns the union greatly about this review is that it might be seen by some as an opportunity to transform the skilled migration program by making it a partial substitute for inadequate VET policy and programs. The very notion of a "competitive" skilled migration program raises the prospect of a kind of international labour hire operation that poaches skills paid for by someone else. Measured against Australia the likely targets are those countries probably least likely to be able to afford it.

We submit that the Committee should report to the Minister that in the case of the industries under consideration in this submission and for many like them, skilled migration is not a desirable means of addressing skill shortages. Whether or not skilled migration is the answer in any circumstances ought to be determined by reference to an integrated, long-term labour market planning framework in which indigenous skill formation investment is the driving force and migration questions are subservient to those about effective vocational education and training programs.

References

Nature and Causes of Skill Shortages – Reflections from the Commonwealth National Skills Initiative Working Groups, November 2002,
http://www.skillsinitiative.gov.au/documents/Skill_Shortages.pdf

Report of the Engineering Skills Working Group, Ai Group, 2000,
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Toner, P. *Supply-side and Demand-side Explanations of Declining Apprentice Training Rates: An Overview*, Paper delivered to the 11th Vocational Education and Training Research Conference/Workshop, Brisbane, July 9-12, 2002.
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