

federal awards (for employers who are corporations).

THE AWARD REVIEW TASKFORCE

In December 2005, the Australian Government established an Award Review Taskforce to make recommendations to the Government and Australian Fair Pay Commission on two key objectives - rationalisation of award coverage on an industry basis and rationalisation of wage and classification structures.

The Taskforce (www.awardreviewtaskforce.gov.au) is headed by Matthew O'Callaghan, a Senior Deputy President of the Australian Industrial Relations Commission (AIRC), and supported by a reference group and a secretariat located within the Department of Employment and Workplace Relations.

The Taskforce has now released two discussion papers and received initial submissions from interested parties.

The discussion papers ask two key questions:

- How should awards be rationalised on an industry basis?
- How should pay and classification structures be rationalised?

The Taskforce is expected to report in July 2006. The Taskforce's findings on pay and classification reform in particular are expected to be ready before the first decision of the AFPC in Spring 2006 and will inform the decision of the AFPC and assist the AIRC in commencing the task of rationalising awards.

ACCI SUBMISSIONS IN RESPONSE

ACCI has prepared two submissions, responding to each discussion paper, and is continuing to discuss proposals

for rationalisation with the Award Review Taskforce.

The process is an extremely significant one for Australian employers. It will have a substantial impact on the regulation of employment and the level of red tape faced by businesses that employ staff.

The rationalisation process holds open the prospect of real improvements in the quality of regulation.

It is an opportunity to reduce Australia's complex system of coverage to a workable system of significantly fewer, more broadly-based industry awards.

It is also an opportunity to move classification systems toward a more appropriate and simple classification structure, based around common sense understandings of different levels of skill and responsibility within workplaces.

The award rationalisation process is a major undertaking. Industry both hopes and expects to see real improvements from this process and not window dressing or minor alterations to the award framework.

It is also important that rationalisation is done in the correct manner, sensitive to the needs of industry and with an eye to developing rational, well-functioning systems of award coverage and content.

In the case of both wages and classification reform, ACCI has developed core principles which should guide the approach adopted to rationalisation - principles which ACCI believes will lead to significant, real reform, improved quality regulation and subsequently, economic benefits for the Australian economy.

ACCI's proposed principles should

be adopted by the Award Review Taskforce and used to guide the simplification of awards and wages structures.

Award Rationalisation

ACCI proposed the following principles for award rationalisation which set out a workable approach to moving from our current system of over 4,000 awards to significantly fewer industry-based awards:

- *Move Towards A Single Set of Minima.* The ultimate aim of award rationalisation should be the achievement of a single award/statutory minima, capable of application across all Australian workplaces. Such an award/statutory minima would be of a genuinely generic safety net nature comparable to national minimum standards in comparable countries.
- *No Additional Costs.* Award rationalisation must be undertaken through a process which ensures that there is no additional labour cost to Australian employers, no loss of productivity, no scope for a loss of flexibility in the way work is undertaken in workplaces and no loss of capacity to provide services to customers. This is a very significant concern for employers.
- *No Extension of Award Coverage.* This process should involve rationalisation of awards strictly within their established field of coverage. Award coverage should not increase by a single person as a result of this award rationalisation process and existing non-award occupations, employees, employers, industries and workplaces should remain award free:
 - It is entirely appropriate that existing non-award covered employment remain non-award covered and not be drawn

into the award net through the rationalisation process; and

- ACCI understands that it was the will of Parliament that managerial, professional and non-award covered employees of corporations be covered in future solely by the AFPCS – that is the very rationale for its creation. They do not need award coverage, as has been amply proven by their non-inclusion in the expanding award safety net to date.

- *Be Guided by Research on Award Structures and Usage.* Rationalisation should be conducted on a rational basis following an empirical investigation of existing award structures, industries covered by awards and the way in which awards regulate employment on key criteria such as conditions and allowances. Time and time again this submission returns to the necessity of engaging in an initial empirical investigation then proceeding from there.

- *Use the Award Cohorts Approach.* Use should be made of natural linkages and synergies in the existing spread of award coverage. Rationalisation should proceed in the first instance based on the identification of 'natural cohorts' of awards with sufficient similarity, both in terms of industry coverage and in their content and approach to the regulation of employment, such that amalgamation is both rational and relatively straightforward.

- *Encourage a Minimum Number of Awards per Workplace.* The aim should generally be to have employers/workplaces covered by as few award instruments as possible:

- This suggests that the basis for coverage in industry awards should be the principal activity

undertaken by the employer; and

- This does not preclude occupational awards also being retained where a strong public interest case is established for their retention. It may be, on balance, that certain kinds of employment are best regulated by retention of an award structured on an occupational basis within a primarily industry-based structure.

- *Major and Diversified Enterprises Also Need to be Properly Taken into Account.* This principle also should not preclude some retention of multiple award coverage per employing entity, particularly in the interim/transitional term, where this is inherited and the single award principle would cause absurdities.

- *Avoid Mega-Awards!* Where rationalisation has the result of producing awards which are excessively large and struggle to adequately regulate the industry concerned, the outcome is flawed. Rationalisation should result in awards which are of similar size and content to current awards, but which regulate broader industry categories than current awards.

- *Industry does not mean ANZSIC Codes.* Although the Australian and New Zealand Standard Industrial Classification (ANZSIC) system could provide a useful framework around which some award rationalisations might take place and some industry outcomes may equate to ANZSIC, a rational system of coverage on an industry basis must not necessarily universally adhere to the ANZSIC framework, especially where the outcome would be detrimental to the quality of regulation or would result in complexities.

- *Use a Safety Net Approach to*

Setting Conditions. There must be a genuinely 'safety net-based' approach when deciding between various approaches to conditions and regulation within consolidated awards. Rationalised industry awards should be consistent with the contemporary function of awards as a basic safety net of minimum conditions underpinning bargaining:

- In choosing between existing award conditions to include in a new national industry award (to the extent necessary), it is entirely legitimate to enshrine the lowest of the range of conditions (or at very least the lowest of the range of those standards which have any relevance or usage in the field).

- *A Savings Clause Arrangement Offers Scope to Protect Employee Interests,* particularly where their current award entitlement may exceed either the otherwise prevailing minima or the level of entitlement which arises from the review process.

It is ACCI's view that these principles, if used to guide the award rationalisation process, will result in award rationalisation that

- yields genuine results – potentially reducing awards from the current approximately 1500 federal awards to as few as 70;
- is sensitive to the needs of industry and to the need to develop a logical and workable framework of industry coverage;
- will deliver a genuine safety net approach to rationalisation that avoids increases in labour costs and disruption to business; and
- significantly reduces the regulatory burden on business and unlocks the potential for business to be more productive, efficient and

competitive.

Wage and Classification Rationalisation

ACCI has also proposed a second set of principles to guide rationalisation of wage and classification structures.

Pay scales and classification structures will in future be set by the Australian Fair Pay Commission as Australian Fair Pay and Classification Scales. As with the principles for industry rationalisation, they would produce, if adopted, significant improvements to the regulation of wages and classifications within Australia.

ACCI's principles are:

- *Match Classification Structures with Rationalised Awards.* At this juncture, ACCI proposes that there be a corresponding APCS for each rationalised industry award. Therefore, the final number of APCSs will be dependent on the final number of awards. APCSs should be aligned to the coverage of new, rationalised National Industry Awards for particular industries.
- *APCSs Should Not Extend to Employees Not Currently Covered by Award Regulation.* Broadbanded classification structures should apply to existing award-covered employment only.
- *Wage Rationalisation is Only Worth Doing if there is Material Change.* Wage and classification rationalisation is a massive undertaking. This exercise must be undertaken with due care and on the basis of careful and extensive research of the award system, its flaws, its strengths and the direction in which Australia needs to proceed, to achieve an improved system of wages regulation. It is far too extensive an exercise if the end result will be nothing more than modest alterations or, even worse, 'window dressing' reforms to classification structures.
- *WorkChoices Guarantees Allow Scope for Substantial Rationalisation.* The process of reviewing awards and of rationalising wage structures in awards is not the sole guarantee of particular outcomes for existing employees. Recommendations of the Award Review Taskforce do not need to attempt protective or maintenance measures that are otherwise provided by the new statutory provisions (i.e. by the Australian Fair Pay and Conditions Standard of the amended *Workplace Relations Act 1996*). If employees in an industry retain award entitlements at a particular level through their individual APCS then that allows for substantial reform of award wage structures without loss to those employees.
- *Support through Savings Clauses.* Savings clauses are not only appropriate protections for employees, but they offer scope for substantial rationalisation without losses to employees. ACCI considers that a very substantial level of wages and classifications rationalisation can be delivered with the secure knowledge that savings arrangements will ensure existing employees do not lose wages.
- *Single Structure in All APCSs (to the greatest extent possible).* There should be an underlying single broadbanded classification structure in all minimum wage instruments – and specific classifications, descriptors or labels should accord with this structure. For each industry there will be a translation exercise into the generic structure. The achievement of a generally applying, broadbanded classification structure would be a substantial achievement and increase the quality of wages regulation in Australia.
- *Wages Reform is an Obligation - Not a Behaviour to Reward.* There is a clear contrast between this exercise and those of the late 1980s and early 1990s. Whilst at that time wage consolidation was secured in exchange for (essentially as a prerequisite to) an award wage increase, there is no such "carrot" this time for industry compliance with the demands in *WorkChoices* for award reform. We all have to do this.
- *Focus on Award-Reliant Employment.* Managerial, professional and higher earning employment is not the focus under *WorkChoices*. Minimum wage arrangements no longer need detailed classification structures, nor any award wage levels beyond a suitable maximum (not far above the current award wage for tradespeople).
- *Retain and Extend Appropriate Concessional Wages.* Junior rates, apprentice and trainee rates and rates for people with disabilities are essential and provide important pathways to employment and skills acquisition. They should be retained and appropriately extended where they don't presently apply.
- *De-prioritise Public Sector Awards.* Public sector awards are significantly less likely to determine pay and conditions payable in workplaces than awards generally due to the very high coverage of agreements throughout federal, state and local government and their agencies. Consistent with ACCI's general proposal that public sector concerns not delay and complicate rationalisation of either awards or minimum wages, we propose that:
 - federal, state and local government awards be

accorded the lowest priority in both award rationalisation and the rationalisation of wages and classifications; and

concerns and approaches arising from public sector awards remain quarantined to that sector and not be allowed to determine outcomes in the private sector where awards and award compliance are significantly more relevant concerns.

ACCI has further proposed as a model for industry that existing award classification structures be replaced, to the extent appropriate, by a broadbanded four level classification structure. This structure would replace existing award classification structures with a simpler, more appropriate classification structure that could be easily applied by employers and employees.

The structure would consist of a rate for:

- basic work at the level of the Federal Minimum Wage;
- routine work (e.g. sales assistants, waiters etc);

- work at the tradesperson's level or equivalent; and
- specialised work beyond the tradesperson's level.

This structure would be a substantial improvement on the highly complex, multi-level structures currently seen in awards. At the same time, ACCI's proposals for savings clauses would ensure that employees would not be left worse off.

This proposal should only be seen as an intermediate step along the road to a genuinely best practice system of wages regulation, such as those present overseas.

ACCI's Workplace Relations Policy envisages the ultimate replacement of our current system of award wages regulation with a system based around a single minimum wage for adult employees and concessional minimum wages for juniors, trainees and apprentices.

Our competitor nations operate with substantially simpler, more effective approaches to setting minimum wages and conditions. We need to take heed and seek to match world's best practice in this area.

CONCLUSION

The award review process represents a real opportunity for change and improvement in Australia's system of employment regulation. ACCI will seek to ensure that the views of employers are listened to during this process.

There is no single solution to fixing the award system and all stakeholders, including unions, should put their views constructively and be listened to by government.

We must recognise that our current system of award regulation is the product of 20th century thinking and the concept of compulsory arbitration. Our economy and society has moved on – it is time for regulation to move on as well and further recognise the pre-eminence of bargaining over arbitrated awards.

The result of further reforms will be better performing businesses, which are more competitive and higher living standards for Australian employees. These are goals we should all commit to.

ACCI RECOGNISED IN TAX REFORM DEBATE

ACCI Chief Executive Peter Hendy has been appointed by Federal Treasurer Peter Costello to co-author a study examining how Australia's tax system compares with other developed economies. The study, which will report in early April, will help to frame the tax cut debate in the lead up to the May Federal Budget.

In February 2006, the Federal Treasurer, Hon Peter Costello MP, announced that ACCI Chief Executive Peter Hendy, together with the Chairman of the Board of Taxation Richard (Dick) Warburton, would conduct a study into how Australia's tax system compares with other developed economies.

The study will include taxes collected at national, state and local government levels, will be supported by a small secretariat in the Department of the Treasury and will report back to the Treasurer by 3 April 2006.

TERMS OF REFERENCE

The following is an extract from the Study's Terms of Reference:

"The study will compare Australia's taxation system with other countries. The aim of the study is to provide an authoritative statement on the

public record about how Australian taxes compare to those in other countries. This will help inform discussion about Australia's tax system.

The focus of the study will be on the provision of objective, descriptive information on Australia's tax and revenue system compared with that of other OECD countries. The study will provide information on the overall level of taxes, the tax mix, and the base and rates within each type of tax. As appropriate, the study also will provide information on the publicly stated rationales for different countries' balances between efficiency, effectiveness and simplicity in the revenue raising effort of these countries.

The study will cover all forms of taxation collected in Australia at national, state and local government levels. This is OECD standard practice for international tax comparisons.

The study will cover personal, business, indirect, property and transaction taxes. On personal taxes, in line with the recommended OECD approach, information will be provided on taxes levied on both individuals and businesses for social insurance purposes, as well as particular forms of social benefits that can be provided through either the tax system or through social security expenditures.

The study will also cover taxes on superannuation, taking account of the very different ways that retirement income objectives are provided in other countries.

The study will make comparisons with all OECD countries, largely reflecting the availability of comprehensive and comparable information on their tax systems. These countries cover most of our largest trading partners, as well as the sources and destinations of

most of our capital investment. As determined by the authors, the analysis may extend beyond the thirty OECD countries where comparable information is readily available and issues relevant to the study would benefit from a broader analysis.

For context, the study will provide an overview of the fiscal situation in each of the comparator countries. Some countries have a much larger/smaller government sector than Australia, and therefore require a higher/lower level of taxes. Additionally, information will be provided on the fiscal situation of comparator countries (especially in terms of budget surpluses or deficits).

Where relevant and possible, the study will also cover non-tax revenues and provide information on the extent and composition of tax expenditures in comparator countries.

Given the broad scope of the study, and the considerable amount of information and analysis that will need to be covered, the study necessarily will provide an overview of relevant issues for international comparisons of tax systems. Greater detail will be provided in some areas, especially on personal and business taxes."

RECOGNITION OF ACCI

Since the publication in November 2004 of ACCI's Taxation Reform Blueprint: *A Strategy for the Australian Taxation System 2004-2014*, ACCI has been at the forefront of public debate arguing for the Australian Government to commit to a second wave of significant, structural taxation reform.

The Blueprint is already directly influencing Government policy, with the announcements by the Australian Government during the

year that it would reform the taxation of infrastructure and international taxation arrangements, in line with ACCI's policy wishes.

Some of the key matters argued for in the Blueprint include:

- the reduction of personal income tax including the abolition of bracket creep, the reduction of the top marginal tax rate to no more than 30 per cent and the reduction in the number of tax thresholds to preferably no more than two;
- reducing the burden of Capital Gains Tax (CGT) and introducing a 'stepped rate' CGT where the percentage of gains subject to the tax reduces the longer an asset is held;
- reducing the cost of complying with the tax system, particularly by improving the measurement and disclosure of tax compliance costs;
- further reform of state taxes - including reform of fire insurance levies and payroll taxes; and
- reform of taxation on superannuation, including the abolition of contributions tax.

The selection of ACCI Chief Executive Peter Hendy as one of study's co-authors is a recognition of ACCI's high profile and standing in the tax reform debate.

ACCI MEMBERS

ACT & Region Chamber of Commerce and Industry
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 Chamber of Commerce Northern Territory
 Commerce Queensland
 Employers First™
 State Chamber of Commerce (NSW)
 Tasmanian Chamber of Commerce and Industry Ltd
 Victorian Employers' Chamber of Commerce and Industry
 ACCORD
 Agribusiness Employers' Federation
 Air Conditioning and Mechanical Contractors' Association
 Association of Consulting Engineers Australia (The)
 Australian Beverages Council Ltd
 Australian Entertainment Industry Association
 Australian Hotels Association
 Australian International Airlines Operations Group
 Australian Made Campaign Limited
 Australian Mines and Metals Association
 Australian Paint Manufacturers' Federation Inc
 Australian Retailers' Association
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For further information about issues raised in the publication, contact the Review Editor, Brett Hogan, at ACCI's Melbourne office.

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ATTACHMENT K

Extracts from ACCI EET Circulars

Please turn over the page.

Workplace relations reforms to remove barriers to training

The Australian Chamber of Commerce and Industry (ACCI) welcomed today's announcement by the Prime Minister to remove workplace relations barriers that restrict young people from entering into apprenticeships and traineeships, including School-based and part-time New Apprenticeships.

These reforms are in line with recommendations contained in the ACCI report provided to members and Government in July 2005 entitled *Addressing Workplace Relations Barriers to Training*.

The workplace relations reform legislation will:

- see the removal of provisions in awards that restrict the range of apprenticeships available, including provisions that regulate or limit the duration of New Apprenticeships;
- include standard minimum wages for school-based traineeships and apprenticeships that will take effect immediately and be available for Australian Technical Colleges; and
- establish the Australian Fair Pay Commission (AFPC). The AFPC will:
 - o set minimum wages for trainees;
 - o have discretion to establish separate minimum wages for all categories of trainees;
 - o have power to take action to ensure that the full range of apprenticeships and other training arrangements created by the training system will have appropriate wages; and
 - o establish minimum training wages for all types of apprenticeships to cover gaps in state or federal award coverage.

Attachment A: Prime Minister's media release: Workplace Relations Reform and Apprenticeships

Attachment B: ACCI media release: Proposed Workplace Relations Measures Will Boost New Apprenticeships

Attachment C: Prime Minister's address to the Australian Financial Review Conference, Skilling Australia

Attachment D: ACTU media release

Unions Can't Be Trusted on Apprenticeships

The Sydney Morning Herald's (SMH) Ross Gittins, SMH Economics Editor, commented that the hostile reaction to John Howard's plans to take over the apprenticeship system is a mixture of foolishness on the part of the public and knavery on the part of the unions.

When you see newspaper letter-writers concluding that the plan to have the proposed Fair Pay Commission set minimum wage rates for apprentices and trainees will allow bosses to exploit young workers, it makes you despair of the public's understanding of market forces.

The full editorial can be viewed at **Attachment 1** or online at:

http://aap.newscentre.com.au/acci/050926/library/education_&_training/11409911.html

Both Sides Win in Howard's Plan for Apprentices

The Financial Review's economics editor, Alan Mitchell, commented today that the Howard government announced reforms made last week would mean lower wages for apprentices when there is already supposed to be a shortage of apprentices. Does that make sense? It does if the problem is on the demand side of the technical training market.

Alan Mitchell's editorial can be viewed in full at **Attachment 2**.

Extract from Circular 87 – 13 October 2005

Building and Construction Industry – Apprenticeship Case

The CFMEU has made an application to substantially increase apprentice wages in the *National Building and Construction Industry Award 2000*. The application could result in an increase in first year apprentice wages of \$90 a week, in effect the application removes the current 1st year wage rate. Additionally the application also seeks new, separate wage rates for adult apprentices, and the CFMEU is seeking to sever the link between training wages and the industry and the National Training Wage Award.

This matter is of some importance for award wage setting and for the interaction between training and workplace relations. It has been referred to the President of the Australian Industrial Relations Commission (AIRC) to consider whether it should be heard before a full bench.

In light of a full bench hearing and recent announcements regarding the reform of the workplace relations system (including the proposed establishment of the Australian Fair Pay Commission and the removal of barriers to the take-up of the full range of New Apprenticeships), there is the potential that the case could spark additional union applications to substantially increase award apprentice wages, particularly within the building and construction industry, before the foreshadowed workplace relations reforms take effect.

Master Builders Australia has submitted an application to the AIRC seeking for the matter to be adjourned, or if an adjournment is not granted for the matter to be referred to a Full Bench for hearing. They submit that with training arrangements currently under review by COAG, QLD & Vic, and the required consideration of state arrangements by the AIRC in cases regarding apprenticeships, and the fundamental principle that wages follow conditions, that the consideration by the AIRC of the matter in the current reform environment would be premature.

The ACCI EET Committee raised the case and industry concern regarding the flow on of any decisions favourable to the unions to other awards with the Hon Gary Hardgrave Minister for Vocational and Technical Education on 11 October 2005. The ACCI Workplace Policy Committee has agreed that if the matter proceeds to the full bench of the AIRC that the ACCI secretariat would lodge an application to intervene in the matter.

The ACCI secretariat will inform you of further developments in this case.

Guide to the National Training Wage Award

ACCI, as industry representatives on the tripartite Training Wage Reference Group, have been involved in the development of the *Guide to the National Training Wage Award*. A copy of the guide is at **Attachment 3** for your information. A final and re-badged version of the document that has been signed off by the TWRG will be publicly released shortly.

Extract from Circular 91 – 2 November 2005

Workplace Relations Bill 2005

The *Workplace Relations Amendment (Work Choices) Bill 2005* provides wage rates for school-based trainees and school-based apprentices

The *Workplace Relations Amendment (Work Choices) Bill 2005* (the Bill) was introduced into the House of Representatives this morning. Schedule 3 of the Bill generally provides for pay and conditions for school-based apprentices and school-based trainees.

These reforms cut across the restrictions of the award system and allow for industry wide engagement of school-based apprentices and trainees. Currently approximately only 25 out of 2000 awards have provisions for school-based apprentices.

Importantly the wage rates contained in the legislation will facilitate the operation of Australian Technical Colleges in 2006.

The Bill does not address wage arrangements for part-time apprentices and trainees. ACCI will advocate for wage arrangements for part-time apprentices and trainees in its submission to the Australian Fair Pay Commission.

A summary of the provisions contained within Schedule 3 of the Bill is at **Attachment 1**. The Bill, the Explanatory Memorandum and the Second Reading Speech, can be downloaded from <https://www.workchoices.gov.au/ourplan/bill/>

Extract from Circular 93 – 8 November 2005

Joint Industry Training & Education Council (JITEC) Meeting - Friday 2 December 2005

Members are advised that the next JITEC meeting will be held in Melbourne on Friday 2 December 2005. At this stage the agenda is still being finalised and if members have any topics they would like considered for inclusion, please email Susannah Smith at susannah.smith@acci.asn.au.

The details of this meeting are:

Date: Friday 2 December
Time: 9.30am - 1.30pm
Venue: Room 1.5, Level 1
Industry House
486 Albert Street
East Melbourne

ACCI is seeking representation for approximately 10 organisations to attend this meeting. If you would like to attend, please contact Ms Susannah Smith by telephone on (02) 6270 8035 or via email at: susannah.smith@acci.asn.au.

Extract from Circular 98 – 18 November 2005

Joint Industry Training & Education Council (JITEC) Meeting - Friday 2 December 2005

Members are advised that the next JITEC meeting will be held in Melbourne on Friday 2 December 2005. Subjects to be discussed at this meeting include COAG, Skilled Migration and the outcomes from the November 2005 Ministerial Council meeting.

The details of this meeting are:

Date: Friday 2 December
Time: 9.30am - 1.30pm
Venue: Room 1.5, Level 1
Industry House
486 Albert Street
East Melbourne

ACCI is seeking representation for approximately 10 organisations to attend this meeting. If you would like to attend, please contact Ms Susannah Smith by telephone on (02) 6270 8035 or via email at: susannah.smith@acci.asn.au.

Extract from Circular 101 – 25 November 2005

Senate Committee Delivers Report on Work Choices

The Senate Committee inquiring into the *Workplace Relations Amendment (Workchoices) Bill 2005* issued its report and recommendations on 22 November 2005. The report is the final parliamentary step prior to the Senate considering and voting on the *WorkChoices Bill* in its final sittings for 2005 (28 November – 8 December).

The Government Senators strongly support passage of the *WorkChoices Bill*. However there are 7 matters that they ask the Government to consider as amendments to the Bill. One of these matters is that that trainee/apprentice provisions in federal awards will override state trainee/apprentice laws to the extent of any inconsistency and traineeships be treated on the same basis as apprenticeships;

ACCI is examining the recommendations in detail and providing input to the government consistent with previous member feedback and ACCI policy.

The Senate Committee's report can be downloaded at:

http://www.aph.gov.au/Senate/committee/eet_cte/wr_workchoices05/report/report.pdf

Building and Construction Industry Apprentice Wage Case

As previously advised, the CFMEU has applied to vary the *National Building and Construction Industry Award 2000* to substantially increase apprentice rates of pay. The application would, for example, increase first year apprentice wages by \$90 per week. The application also seeks new, separate rates for adult apprentices.

This application has now been referred to an AIRC Full Bench. The matter has significant flow-on implications for other awards, particularly in the building and construction industry, but also generally, by potentially widening the scope of unions to make applications under the existing wage fixing principles to increase apprentice wages across the award system.

ACCI sought leave to intervene in the matter this morning, Friday 25 November 2005, we await further directions from the AIRC, and will keep you informed of developments

Extract from Circular 5 - 25 January 2006

Outcomes of the joint EET and Workplace Policy Working Group

A working group met last week to discuss future apprentice and trainee wage arrangements under *WorkChoices*. Broad agreement was reached on how to address a number of matters with the Award Review Taskforce (ART). A brief summary of the matters discussed and the approach that ACCI will take with the ART is below.

Issues identified by ACCI	Approach with ART
1. Trainee wage arrangements	

2. Apprentice wage arrangements	The ART approach should recognise the complexities in the training system, including differences in traineeships and apprenticeships, and the need for separate wage arrangements.
3. Wage progression arrangements	Fair pay progression during training should not be based on time served, but rather the recognition of skills attained at agreed points.
4. Part-time wage arrangements	Part-time wage training wage arrangements should be available industry wide.
5. School-based wage arrangements	School-based wage training wage arrangements should be available industry wide.
6. Adult training wage arrangements	Industry recognises and takes account of skills brought by mature persons entering training through the Recognition of Prior Learning Process.
7. Wage arrangements for higher level qualifications	Wage arrangements should not impede the ability of industry and individuals to participate in training at higher levels, eg. Advance diplomas.

This material has informed the draft content of a submission to the ART. A paper has been developed by ACCI for discussion at the EET Committee meeting on 1 February 2006. The outcomes of the discussion will inform the final content of the apprentice and trainee wage arrangements material for the ART.

Extract from Circular 8 – 3 February 2006

Apprentice and Trainee Wage Arrangements

The EET Committee discussed and amended the principles and recommendations for apprentice and trainee wage arrangements that will inform submissions and consultations with the Award Review Taskforce, the Australian Fair Pay Commission, DEWR and DEST.

The principles and recommendations are at **ATTACHMENT 1**. Any members wishing to discuss them can contact Susannah Smith either by email susannah.smith@acci.asn.au or by phone on (02) 6270 8035.

Extract from Circular 10 – 8 February 2006

Joint Industry Training Education Council

The next Joint Industry Training Education Council (JITEC) meeting will be conducted on Friday 3 March 2006 from 10am - 2pm at the ACTU Office Level 2,

393 Swanston Street, Melbourne. The meeting will be co-chaired by Steve Balzary and Sharan Burrow.

The draft agenda is as follows:

- JITEC Terms of Reference
- Skilled Migration
- COAG Meeting Outcomes
- Other Business

An invitation to attend is open to all members.

If members have any other matters they would like discussed at this forum please complete the attached nomination form. The draft terms of reference for JITEC and the outcomes of the previous meeting are also attached for your comment.

Agenda item nominations and comments on the terms of reference and meeting outcomes should be submitted to susannah.smith@acci.asn.au by close of business on Friday 17 February 2006.

Please find at:

- **Attachment 1** – the draft agenda and nomination form;
- **Attachment 2** – the outcomes of the 2 December meeting; and
- **Attachment 3** – the Terms of Reference

Extract from Circular 12 – 9 February 2006

Application to vary the National Training Wage Award

As discussed at the December 2005 JITEC meeting, and at the January 2006 working group meeting on apprentice and trainee wage arrangements, the ACTU and ACCI are progressing an application to vary the National Training Wage Award (NTWA). It was agreed that an application should be developed quickly, and that due to time constraints areas of disagreement would fall-out of the application.

The starting point of the application was agreements of the tripartite National Training Wage Working Group (ACCI was a member) not yet incorporated into the NTWA.

The application seeks to:

- Delete out of date and replicated Training Packages from the NTWA;
- Insert some Training Packages into the NTWA;
- Insert new Certificate and Wage Levels under Training Packages listed in the NTWA;
- Update the names of Training Packages;
- Update references to State and Territory legislation;
- Provide a wage rate for trainees who left school at Year 10 with less than one year out of school that is equivalent to the school based trainee wage rate; and
- Clarify expression in some clauses.

Please find at **Attachment 1** the proposed training package related amendments.

In addition to the agreements reached by the National Training Wage Working Group, ACCI sought to insert some Training Packages into the NTWA, including eg the Electrotechnology Training Package, and new Certificate and Wage Levels for Training Packages listed in the NTWA, eg inserting Certificate III at Wage Level B under the Printing and Graphic Arts Training Package.

The ACTU disagreed with most ACCI proposals that were additional to the agreements of the National Training Wage Working Group. Their disagreement shows the ACTU's continuing objection to specialised qualifications and highlights the need for COAG to report and implement their findings.

Over the next six months ACCI will work with the Government and the Australian Fair Pay Commission to ensure the AFPC will provide vastly improved wage coverage for traineeships. If you would like to discuss this matter, please contact Susannah Smith on (02) 6270 8035 or at: susannah.smith@acciasn.au

Extract from Circular 14 – 15 February 2006

Wage Rates - ACCI may intervene

The Australian Metals Workers Union (AMWU) has applied to vary the federal *Metal, Engineering and Associated Industries Award*, which provide wage coverage for approximately 20% of traditional apprentices across Australia.

The variation seeks to set four sets of pay rates for apprentices, the existing Year 10 rate, a new higher Year 11 rate, a new even higher Year 12 rate, and the existing highest adult rate to account for the higher level of schooling to take account of the higher education levels and age of people entering apprenticeships.

AiG are respondents to the award, and have opposed the wages application. ACCI oppose any move to complicate the wage structures of apprentices at this time and is considering intervening in the case. The ACCI secretariat will keep members informed of this matter.

Tools For Your Trade

ACCI wrote to the Department of Education, Science and Training (DEST) in early January 2006 highlighting a number of concerns ACCI had with the Tool for Your Trade initiative and its effect on industrial awards. Subsequently DEST has responded, thanking us for identifying these concerns. DEST's response is at Attachment 1.

Extract from Circular 15 – 23 February 2006

Metals Award – Apprentice Wages Decision

A recent AIRC decision in the federal Metals Award makes a variety of changes to apprentice wages and arrangements under the award, including increasing apprentice rates of pay. This decision has potential flow-on implications to other Awards, but these will be limited by the commencement of *Workchoices* reforms in March.

The Commissioner, in her judgment, referred to various factors supporting the changes to apprentice wages and arrangements, including shortages of skilled employees, the need to make apprenticeships more attractive, and for a more contemporary apprenticeship wages structure which reflects changes in training arrangements and the labour market.

The decision:

1. States that apprenticeships under the award are competency based, and that the time taken to complete an apprenticeship will therefore vary.

ACCI preferred position: ACCI supports the acknowledgement in awards that apprenticeships are competency based, and that the time taken to complete an apprenticeship will vary.

2. Provides a nominal period of four years for an apprenticeship that may be varied for certain reasons, and for the completion of an apprenticeship more quickly than the stated nominal period when certain training obligations are met – including the requirements of the relevant State/Territory Apprenticeship Authority and any requirements of the Manufacturing Industry Skills Council in respect to demonstration of competency and any minimum necessary work experience requirements are met.

ACCI preferred position: ACCI supports the removal of time-served and time-linked apprenticeship arrangements from Awards. Statements regarding the nominal duration of apprenticeship should be contained in guidance material, not in awards. Furthermore, awards should not establish roles for Industry Skills Councils or State/Territory Apprenticeship Authorities, and statements about the demonstration of competency and necessary work experience should be made in reference to Training Packages.

3. Increases apprentice wage relativities to tradespersons wages, and introduces differential rates of pay based on an apprentice's level of schooling.

ACCI preferred position: ACCI opposes further complicating wage structures, and under *Workchoices* is actively pursuing simplified and consistent wage structures and arrangements.

4. Introduces rates of pay for higher-level (AQF 4 and 5) apprenticeships.

ACCI preferred position: ACCI supports the introduction of discounted wage arrangements for higher-level qualifications.

5. Contains an apprentice rates of pay progression model that has four stages (or levels) and is labelled as a competency base progression model, but in fact the conditions for progressing to each stage contain a secondary time-based

progression component as demonstrated in a simplified example taken from the decision below.

5.3.2 Apprentice Rates – Competency Based Progression

The wages for each stage of the apprenticeship are set out in clause 5.3.1. The conditions for progression to each stage are set out in the following table.

<i>Stage of Apprenticeships</i>	<i>Progression requirements</i>
<i>Stage 1</i>	-
<i>Stage 2</i>	<p><i>An apprentice enters Stage 2:</i></p> <ul style="list-style-type: none"> - <i>on attainment of 25% of the total competency points for the relevant AQF qualification specified in the training plan; or</i> - <i>12 months after commencing the apprenticeship;</i> <p><i>whichever is earlier.</i></p>
<i>Stage 3</i>	<p><i>An apprentice enters Stage 3:</i></p> <ul style="list-style-type: none"> - <i>on attainment of 50% of the total competency points for the relevant AQF qualification specified in the training plan; or</i> - <i>12 months after commencing Stage 2;</i> <p><i>whichever is earlier.</i></p>
<i>Stage 4</i>	<p><i>An apprentice enters Stage 4:</i></p> <ul style="list-style-type: none"> - <i>on attainment of 75% of the total competency points for the relevant AQF qualification specified in the training plan; or</i> - <i>12 months after commencing Stage 3;</i> <p><i>whichever is earlier.</i></p>

ACCI preferred position: Time based apprentice wage progression should not be contained in awards. Progression should be based on the attainment and demonstration of agreed grouping of competencies. Once an apprentice has attained and demonstrated the agreed group of competencies they should then progress from one pay level to the next. The task of grouping and allocating competencies relevant to specified wage levels should be developed under industry direction and outlined in Training Packages. Groupings and allocations of competencies to wage levels should recognise that some competencies underpin others, while other competencies can be gained in any sequence.

6. Provides multiple entry points to apprenticeships with recognition of skills, knowledge and qualifications acquired.

ACCI preferred position: ACCI supports multiple entry points to apprenticeships.

7. Provides points for persons to exit from apprenticeships with formal qualifications while undertaking Certificate IV and V qualifications. When an

apprentice has gained the relevant competencies to achieve a Certificate III qualification whilst undertaking a Certificate IV level qualification, or a Certificate III or IV qualification whilst undertaking a Certificate V level qualification an apprentice may exit with the relevant qualification

ACCI preferred position: ACCI supports multiple exit points to apprenticeships. Exit points must also be provided at the Certificate II level.

Many of the outcomes in this decision are consistent, at least at the level of principle, with the principles developed and endorsed by the ACCI EET Committee. However, there are several significant points of difference between the approach adopted in the decision and ACCI's preferred policy position as outlined.

This case however, may be significant in other ways, as it may influence the thinking of the Australian Fair Pay Commission when it begins to consider apprentice wage issues as part of its deliberations later this year. ACCI will consider what additional action is necessary to respond to the decision. The decision is at Attachment 3.

Extract from Circular 16 – 24 February 2006

National Training Wage Award

An application to vary the *National Training Wage Award*, developed by ACCI in consultation with the ACTU was heard today by Commissioner Mansfield of the Australian Industrial Relations Commission. Commissioner Mansfield agreed to vary the *National Training Wage Award* in line with the application.

The draft order is at **Attachment 1** for your information and provides the detail of the amendments. ACCI will forward to members the decision and transcript of proceedings when they become available. The National Training Wage Award is at **Attachment 2**.

Extract from Circular 24 – 24 March 2006

National Wage Arrangements for Employees Undertaking Traineeships

The Award Review Taskforce has asked ACCI to translate the *National Training Wage Award* into a draft instrument called an Australian Pay and Classification Standard (APCS) that the Australian Fair Pay Commission (AFPC) may issue. Using the principles agreed to by both the EET and Workplace Policy Committees on national wage arrangements for apprentices and trainees ACCI has drafted an *APCS for National Wage Arrangements for Employees Undertaking Traineeships* for your input and comment.

Within the draft document four wage structure options are provided of varying complexity for your comment. Additionally a table that displays the current coverage of qualifications under Training Packages is contained in the document, your comments are also sought on methods to update the allocation of wage levels to

qualifications available under Training Packages, one method is proposed in the draft APCS.

The draft *APCS for National Wage Arrangements for Employees Undertaking Traineeships* and the *National Training Wage Award* are at **Attachment 2** and **3**.

Please return your comments to susannah.smith@acci.asn.au by close of business on Friday 31 March 2006. If you would like to discuss this further please phone Susannah on (02) 6270 8035.

Apprentice Wage Survey

ACCI is seeking the assistance of members to undertake a second employer survey of apprentice wages. The results of the survey will assist ACCI to develop a position to submit to the Australian Fair Pay Commission on apprentice wage levels.

The first survey was completed late 2004 and is at **Attachment 4**. The survey is attached, as it is the starting point for developing the 2006 survey. The survey targeted employers of apprentices (including group training schemes) in the traditional trade occupational groups, including metals, specialty manufacturing, automotive retail and repair, electrical, building and construction, and hospitality and personal services.

Your comment on the 2004 survey will assist in the development of the 2006 survey. Your thoughts on broadening the survey to investigate trainee wages are also welcomed.

Please contact Susannah Smith on (02) 6270 8035 or via email at susannah.smith@acci.asn.au if you wish to discuss this or provide comment on the 2004 survey or suggestions for the 2006 survey.

Extract from Circular 34 – 2 May 2006

ACCI Survey of Apprentice and Trainee Wages

Last week ACCI issued to members a survey to collect information on apprentice and trainee wages. Your assistance in undertaking this employer survey of apprentice and trainee wages is important. ACCI is aiming to have at least 1000 employers respond to the survey with cross sectoral representation. It would be appreciated if you could arrange to distribute the survey to employers of apprentices and trainees.

It is important that we get a strong response from industry on this survey. The results of this survey will provide valuable information about the employment of apprentices and trainees in the current environment, and will be utilised to inform policy making in relation to skill shortages in Australia, and the setting of appropriate wages for apprentices and trainees. ACCI conducted the first survey of apprentice wages in 2004. The 2006 survey builds on that effort and has been expanded to include questions on trainee wages. **ATTACHMENT C** contains the two-page survey. **ATTACHMENT D** contains the published results of the 2004 survey.

NEW APPRENTICESHIPS

Guide for Industrial Relations Practitioners

(Update) February 2005

1. New Apprenticeships – What Are They?

New Apprenticeships were introduced in 1998. They provide an employment and training pathway within the national vocational education and training system and incorporate previously separate apprenticeship and traineeship arrangements.

Traditional apprenticeships have existed for many years in fields such as plumbing, automotive, carpentry and electrical, hairdressing etc. These traditional apprenticeships are usually for three to four years in length and the wage rates and conditions for these apprentices have traditionally been set down in parent awards.

Over the past decade there has been a rapid growth of traineeships. This occurred initially in industries where there was no history of apprentices such as business services, retail etc. Traineeships are now available in every industry sector in Australia. The major award covering the wages and conditions of trainees is the National Training Wage (NTW) Award. However trainees are also covered by State Training Wage awards and other industry specific state training awards

New Apprenticeships have two common features:

- The apprentice or trainee is employed while undertaking their training under a Training Contract. The Training Contract outlines the qualification the apprentice or trainee is expected to obtain and the obligations of both the employer and apprentice or trainee, and
- They offer a pathway that combines training for a qualification with employment. This pathway can begin at school with school based New Apprenticeships.

New Apprenticeships are available in every major Australian industry. The system, where available, offers a choice of training provider, with new Training Packages providing nationally accredited qualifications across a wide range of skills. An employer can take on a new employee as a New Apprentice or offer a current employee a New Apprenticeship. New Apprenticeships can also be part time or school based.

For Australian industry to make the most of these new training opportunities awards and agreements must include New Apprenticeships provisions. Without these provisions employers cannot access training wages for New Apprentices and will miss out on the opportunity of attracting new people into their industry. *See Section 6 and 7 for a summary of the award or agreement arrangements necessary to provide access to the full range of New Apprenticeships.*

a New Apprenticeship as part of their education. Combining training with part time employment (normally one or two days a week) allows students to learn not only the skills of their chosen vocation, but also how to apply them.

The growth of New Apprenticeships indicates strong demand across a range of industries for training combined with employment. However, there are gaps in awards and agreements, particularly for school based New Apprentices, that may be hampering efforts to attract new people into industry based careers.

This means IR Practitioners need to:

- Review awards and agreements to ensure New Apprenticeships employment provisions are included, and
- Be prepared to offer advice on a range of workplace relations issues associated with New Apprenticeships.

It is acknowledged that many IR practitioners do not deal with New Apprenticeship queries on a daily basis. This reference guide provides a simple and concise account of the award and agreement arrangements necessary to give full access to New Apprenticeships.

6. Building Provision for New Apprenticeships into Awards or Agreements

To participate in the enormous growth of New Apprenticeships, each employer needs to have in place award or agreement provisions that provide for the full variety of New Apprenticeships that have been introduced for that employer's industry or calling. Without these provisions, the industry will miss out on the opportunity to develop a skilled and flexible workforce and individuals will miss out on valuable training opportunities.

In particular, each industry needs award or agreement arrangements for:

- The full range of traineeship and apprenticeship qualifications available in the Training Package(s) for the industry;
- School based and part time traineeships and apprenticeships; and
- The higher skilled traineeships including Certificate III that is equivalent to trades level and Certificate IV which can include qualifications up to post trade level e.g. technicians and supervisors;

Some awards and agreements already include traditional apprenticeship and traineeship provisions, and will only need to be varied to cover the new school based arrangements and the new Training Package terminology. Other awards and agreements will not contain any arrangements, and full provisions will need to be inserted.

Because of the importance of New Apprenticeships for both employees and employers, the ACTU, ACCI and other peak employer organisations have made intensive efforts to develop model provisions that can be included in awards and agreements to ensure they provide full access to New Apprenticeships. These provisions have been endorsed by the AIRC.

Traineeships have usually been treated separately to traditional apprenticeships in awards, so different provisions have been developed for these two types of New Apprenticeships.

6.1 Traineeships

In general, traineeships are covered by the provisions of the *National Training Wage Award 2000* (NTW Award), although similar provisions may also be found in industry specific awards. The NTW Award is an Award of the Australian Industrial Relations Commission. State Training Wage Awards or Orders may also apply to traineeships in some States.

The federal *National Training Wage Award 2000* (NTW Award) (Award AW790899CR) has been updated extensively by the agreement of the parties to cover school based and part time traineeships, to include the higher level Certificate III and IV traineeships, and to cover all traineeships defined by the Training Package for each industry.

public interest; to the extent that a school-based apprenticeship will increase the pool of skilled employees in the important area of building and construction in the Australian economy, that is in the public interest; and finally, to the extent that a school-based apprenticeship contributes to the employment rate of young people, that is in the public interest." (paras 79, 80 PR950423)

6.3 Agreements

Workplace or enterprise agreements, under either federal or state industrial legislation, can make provision for apprenticeships and traineeships in a similar way to awards. For example:

- A clause can be included in an agreement that adopts the provisions of the NTW Award, or
- A clause can be included that contains appropriate traineeship or apprenticeship provisions in full, such as clauses from the NTW Award or the model apprenticeship clauses.

Federal agreements –ie: Certified Agreements and Australian Workplace Agreements, can also establish a wage rate for apprenticeships and traineeships where an appropriate rate of pay does not already exist under the relevant award. Provisions introduced under the *Workplace Relations Act 1996*, that take into account the amount of time apprentices or trainees spend in training and productive work, enable the wage rate to be adjusted and still meet the requirements of the "no disadvantage test" that applies to all federal agreements.

The *Workplace Relations Act 1996* enables:

- The award traineeship wage rate to be adjusted (*Section 170XC*), and
- The award apprenticeship wage rate to be adjusted (*Section 170XD*).

To view the legislation go to:

<http://scaleplus.law.gov.au/html/pasteact/0/70/0/PA004560.htm>

<http://scaleplus.law.gov.au/html/pasteact/0/70/0/PA004570.htm>

For more information about Certified Agreements visit:

<http://www.wagenet.gov.au> and click on the "Making Federal Agreements" menu item. Contact numbers for an advisory service on Federal agreement making can also be obtained by clicking on the "Advisory Service" menu item.

For more information about Australian Workplace Agreements visit:

<http://www.oea.gov.au> and select "AWA information for employers".

7. Model Clauses

As described in Section 5.2, many existing award apprenticeship provisions do not provide for part-time (including school based) apprentices, and do not cover the full range of apprenticeships that are now available. Two model clauses that were approved by a Full Bench of the AIRC address these deficiencies. However, as an alternative to the Full Bench model clause that provides for part-time (including school based) apprenticeships, some industries which are focusing on implementing school based apprenticeships have preferred to adopt a narrower version of the part-time model clause that only provides for school based apprenticeships.

The two model clauses referred to are:

Definition of Apprenticeship Clause (Print S3850)

1. This clause shall apply to apprentices.
2. An apprentice is an employee who is engaged under a Training Agreement registered by the relevant State or Territory Training Authority, where the qualification outcome specified in the Training Contract is a relevant qualification from a Training Package endorsed by the National Training Framework Committee.
3. For the purpose of this sub-clause a 'relevant qualification' is a qualification:
 - a) from a National Training Package that covers occupations or work which are covered by this award, or is a qualification from an enterprise Training Package listed in Schedule B to this award and
 - b) at Australian Qualifications Framework Certificate Level III or at Level IV for those qualifications listed in sub-clause X of this award] except where the qualification can normally be completed through a Training Contract of a duration of two years or less (note: such qualifications would generally be covered by traineeship provisions).
4. An apprentice shall also include an employee who is engaged under a Training Contract for an apprenticeship declared or recognised by the relevant State or Territory Training Authority.

School based apprenticeship clause (contained in Print Nos. T1953, T1954 and T1955)

- (i) This clause shall apply to school based apprentices. A school-based apprentice is a person who is undertaking an apprenticeship in accordance with this clause while also undertaking a course of secondary education.
- (ii) The hourly rates for full-time junior and adult apprentices as set out in this award shall apply to school based apprentices for total hours worked including time deemed to be spent in off-the-job training.

2. The key principles to underpin the development of New Apprenticeships were agreed by the Commonwealth and all State and Territory Ministers responsible for vocational education and training at the Australian National Training Authority Ministerial Council meeting on 24 May 1996. New Apprenticeships involves a national system of apprenticeships and traineeships, underpinned by national reforms to ensure the quality of training.
3. It is imperative that employment under these new forms of apprenticeships or traineeships are provided for by awards, to enable these new training options to be used by employers and employees.