

AUSTRALIAN DEMOCRATS SENATORS' ADDITIONAL COMMENTS

The Australian Democrats welcome and endorse the Chair's Report on the Inquiry into the Quality of Vocational Education and Training in Australia. However, the Democrats would like to note additional concerns relating to access to vocational education and training by young people in particular.

1 Needs of young people

Young Australians today are more exposed to job insecurity, casual and part-time work, and low wage levels than older workers. They spend more time in education and training than previous generations, enter a labour market of declining entry-level opportunities and face a lifetime of job change and re-skilling.

The capacity of young Australians to take advantage of the flexibility these changes in the Australian labour market may offer is largely dependent on their access to quality education and training.

McClelland and MacDonald have identified up to 350,000 young Australian adults as being 'at risk' of continuing labour market disadvantage as a consequence of their non-participation in education, training, work or full-time work.¹

While the Democrats welcome evidence of increased uptake of apprenticeships and traineeships by young people, institutional training, such as that provided by TAFE, is still a key means by which young people may enhance their labour market competitiveness. Workplace training may also be a valuable source of VET, however, the retention of junior rates of pay without accompanying training provisions in many awards has meant many young people are trading off wage levels for little return.

The Democrats believe three constraints on young people's access to quality VET must be addressed:

- Inadequate resourcing of the VET sector to meet demand;
- Barriers to participation in the form of fees and charges; and
- Poor quality and inappropriateness of training

Decline in young people's participation in VET

Evidence presented to the Committee, and contained in the Chair's Report, that access to VET for 20-24 year-olds is in decline, at an average annual rate of 1.61 percent between 1995 and 1998 for 20 to 24 year-olds, is of particular concern to the Australian Democrats.

1 McClelland, A and MacDonald, F "Young adults and labour market disadvantage?", in Dusseldorp Skills Forum, **Australia's young adults: The deepening divide**, DSF, Sydney, April 1999.

The Australian Democrats are also concerned at evidence presented to the Committee that on present trends, the Finn targets for the 19- and 22- year-old cohorts will not be met.

1.1 Inadequate resourcing of the VET sector to meet demand

The Australian Democrats strongly support the findings of the Committee contained in Chapter 7 of the Chair's Report relating to the VET sector's capacity to reduce unmet demand under the Commonwealth's 'growth through efficiency' policy, and the recommendation that this policy should be reconsidered and further funding provided to address the shortfall.

As mentioned in a number of submissions to the Committee, Australia has relatively low expenditure on education and training compared to other OECD members, particularly European countries, which tend to have higher levels of public expenditure.

Modelling conducted by Gerald Burke of the Monash University–ACER Centre for the Economics of Education and Training, has shown that an increase in the proportion of 20-24 year-olds in education or training from 61 percent to 70 percent would involve additional public expenditure of approximately \$1 billion. This figure does not including additional income support costs from the transfer of young people from Newstart to the Youth Allowance.²

It is the view of the Democrats that increasing access to VET is crucial in assisting young people manage the transition from education to work. While the costs of increasing access for young people to VET may be high, the alternative is continued high costs of providing income support to young people unable to manage that transition in an increasingly competitive labour market.

1.2 Barriers to participation in the form of fees and charges

The Democrats believe the imposition of fees and charges on the provision of training has compromised equity of access to training, particularly for many of those who are most in need. The Democrats are also concerned by anecdotal evidence from employment service providers in the Job Network, that these fees and charges have greatly compromised their capacity to facilitate the participation of Intensive Assistance job search candidates in VET.

The Australian Democrats have long opposed the imposition of fees and charges for the provision of education and training. As the experience of Intensive Assistance clearly demonstrates, the costs associated with providing accessible education and training to those needing to improve their employment prospects, are far less than the costs of providing long-term income support.

2 Burke, G "Expenditure on education and training: data and issues", in Dusseldorp Skills Forum *Australia's young adults: The deepening divide*, DSF, Sydney, April 1999.

The Australian Democrats recommend the immediate review of fees and charges levied by publicly-funded training providers with a view to their abolition, reduction or subsidisation.

1.3 Insufficiency and inappropriateness of training

While recognising the findings and recommendations of the Chair's Report relating to the experiences of participants in VET, and the inadequacy of many existing training arrangements and quality-assurance schemes, the Australian Democrats also wish to note their concerns with the training providing through Commonwealth schemes such as Work for the Dole and the consequences for young people of the retention of junior rates of pay in Federal awards.

1.3.1 Work for the Dole (WFD)

Although never intended to be a labour market or training program, Work for the Dole received almost \$360 million funding in the 2000-2001 Federal Budget. At most, it provides limited work experience to participants, but Work for the Dole does not provide the structured and accredited training offered by other VET providers.

The Australian Democrats view the high level of funding of Work for the Dole as an unacceptable diversion of much-needed resources away from appropriate training, such as that provided by the VET sector, and recommend that the funding for Work for the Dole be immediately reviewed in this context.

1.3.2 Junior Rates of Pay

It is the contention of the Australian Democrats that the retention of junior rates of pay has undermined efforts to increase sustainable employment opportunities for young people, precluding more effective policies and programs from being implemented. Moreover, they have substantially increased the hardship many young people face in their transition from school to work by reducing access to appropriate training and liveable incomes.

The causes of youth unemployment are varied and complex, and there is little reliable evidence available to suggest that junior rates of pay address these. Based on available research into the causes of youth unemployment, the Democrats believe an approach emphasising education and training, rather than wage discounting, would be more successful in delivering permanent, full-time work opportunities to young people.

The Government/Opposition program of junior rates of pay and mutual obligation schemes such as WFD addresses only one of these causes, that relating to previous labour market experience. In doing so, it assumes a pathway from work experience to further education and training, or secure, full-time work. There is little evidence that this pathway exists.

Youth labour market experience appears to be concentrated in low-skilled, casual or part-time employment. The value of this work in leading to future full-time employment is uncertain.

The evidence that junior rates of pay increase young people's labour market competitiveness is particularly scant. Despite their introduction, the youth unemployment rate has undergone a more rapid rate of increase over the past two decades 1968 than that of any other group in the community.³

Much of the blame for the failure to expand wage based contractual training arrangements in Australia lies with inadequate wage structures. Current junior rate arrangements do not contain structured training or skill development components. There is no provision in the Workplace Relations Act 1996 for training to be incorporated into junior rate arrangements in future awards.

The Australian Democrats unsuccessfully sought to have such provisions inserted into the Act. These amendments would have given the AIRC the power to insert training and skill development arrangements into awards, with or without accompanying junior rates of pay.

The Australian Democrats support the replacement of the discriminatory, age-based junior rates of pay with a competency-based wage structure. This envisages payment of differential rates of pay according to skill level and acquisition. Young people must be offered training to develop skills and receive appropriate remuneration through wage increases as their competence increases.

Conclusion

The capacity of VET to serve Australia's future social and economic needs is largely reliant on its ability to meet demand for training across the community and ensure equity of access. It is the ability of the VET sector to accommodate the needs of young people, who are at the 'coalface' of many of the changes in the Australian labour market, and at the most risk of suffering continuing labour market disadvantage as a consequence of those changes, which the Australian Democrats believe must be secured as a matter of priority.

Senator Natasha Stott Despoja

3 ABS *Labour Force and Wage and Salary Earners*, cited in Kryger, T *Research Note*, Australian Parliamentary Library, 1998.