

Chapter 7

Maintaining industry skills

Another problem in our industry ... is the huge shortage of skilled people in the industry. Many of the people in the industry are just glorified handymen who have never been taught properly and do not have the wide range of skills of a qualified tradesperson. I don't have any problem with people being given the opportunity to skill-up but unfortunately no-one even undertakes to assist in training those people working their way through the industry.¹

7.1 This chapter is written in recognition of the key importance of maintaining a skilled workforce for the building and construction industry. If training fails to deliver the skilled workforce required then other issues become irrelevant. The Cole royal commission recognised some current training deficiencies, and within the limits imposed by ideological blinkers, made some useful recommendations. However, the Government's single-minded preoccupation with instilling order and discipline into the industrial relations of the industry has caused it to lose sight of one of the more fundamentally important trends affecting the industry: the growing shortage of skilled labour. If the Government is concerned that wage breakouts are even now affecting productivity in the industry, there is worse to come. It will not come as a result of pattern bargaining or alleged industrial blackmail by unions, but as a clear response to labour market trends. That is, the cost to industry of skilled labour will rise because it is in short supply.

7.2 Historically, the construction industry has had a low level of investment in training, due partly to the large number of small firms which make up the industry, and because of its project based nature which sees employees constantly moving from site to site. Those working in the industry have learnt on-the-job. Furthermore, the culture of the industry and the nature of the workforce, as noted in chapter 1, does not encourage a high regard for training. While this attitude is changing, the industry finds itself in the position of having to catch up to others in the development of a training culture.

7.3 This chapter will deal with the reluctance of employers to fund training and the disputes which arise in relation to what kinds of training to provide, and how to deliver it. These disputes have their roots in the fragmented nature of the industry, complicated processes for the allocation of training funds and unresolved questions of how training quality can be maintained through different methods of delivery.

1 Submission No.86, CFMEUQ, para.16

The declining skills base

7.4 The latest data compiled and analysed by Construction Training Australia (CTA) shows that training activity levels, measured by the number of people under training contracts, is lagging behind building and construction activity and resulting employment levels. CTA states that if this trend continues, the skills base of the industry will gradually erode. It is generally agreed that apprenticeship enrolments follow a cyclical pattern, although the peaks and troughs are now lower than they were in the last decade. This is despite the moderate increase in the number of commencing apprentices and trainees in the VET sector. The looming critical skills shortage needs to be seen in the context of expected high levels of construction over the period to 2007 and the effects of retirements from the industry which, according to demographic trends, are likely to increase over the same period of time.²

7.5 A study by NCVET and DEWR in 2001 noted that the particular difficulties experienced in the building and construction industry in relation to recruitment and retention of skilled labour are partly attributable to the cyclical nature of the industry. This was a disincentive for builders to take on apprentices despite the relatively high retention rates. The DEWR Skilled Vacancies Index showed that in the five years to 2001, vacancies in the building trades increased by 61 per cent, against the general industry trend.³

7.6 The ACTU identified a range of causes for skills shortages, including fewer people entering the industry, higher attrition rates amongst apprentices and higher separation rates from trades, lack of training opportunities to upgrade the existing workforce and increasingly narrower skills base through greater job specialisation rather than broad trade skills.⁴

7.7 The Construction Industry Training Board argues that changes to the industry have shaken the foundations upon which the apprenticeship system is based. In particular, full time employment has declined and casual employment has increased; the number of small businesses that make up the industry struggle under extreme price and competition pressures and are less able to accommodate the cost of an unskilled worker. Furthermore, for the 65 per cent of the businesses in the industry that are 'non-employing', the notion of succession planning (of skills) is non-existent. The CITB further points to the fact that career paths are not well defined or are limited in the case of most small businesses in the industry. Finally, for many businesses, much of the work has become structured around very narrow tasks that do not require broad-based skills.⁵

2 Construction Training Australia, *Building and Construction Workforce 2007: Strategic Plan for the Building and Construction Industry*, March 2003, p.48

3 NCVET, *Skill trends in the building and construction trades*, 2001, p.6

4 Submission No.17, ACTU, para.349

5 Submission No.47, Construction Industry Training Board, p.6

7.8 The electrical trades have made strong representations to the committee about skill shortages. It was told that normally in this sort of economic cycle we would have about 26,000 electrical and electronic tradesmen being trained as apprentices. That number is now running at about 21,000 or 22,000, not even keeping up with the levels of five years ago. This comes at a time when the level of electro-technology in industry has comprehensively increased. Chronic skill shortages in this specialisation are predicted.

Types of training

7.9 The committee is concerned over advice from the ACTU that there are currently low levels of qualifications in the industry, with only 45 per cent of the workforce receiving formal qualifications.⁶ Training, when offered or undergone, comes in various forms. The industry preference is for training leading to an Australian Qualifications Framework (AQF) certificate, preferably at level 3 or 4. These qualifications may be obtained either through apprenticeships or in some cases through TAFE colleges or private registered training organisations (RTOs). There is very wide choice available in course delivery, and the aim is flexibility in training delivery. As is noted later, there has been a proliferation of private RTOs serving the expanding training market, although few of them engage in the kinds of trade training courses which remain the specialities of the TAFE system.

7.10 School leavers may embark upon apprenticeships if they are available, and current workers can upgrade their skills through part-time training. Training is competency-based, with recognition of skills gained at the time of attainment rather than at the end of a set period. As will be noted, this is an area of controversy. A related complication is that trades like electrical and plumbing require licensing by an agency operating independently outside the AQF.

7.11 There is a continuing debate about whether trade skills training is sufficiently enterprise focused and sufficiently specialised. Many, if not most, builders believe it is not. There is also resentment among some builders and contractors that TAFE components of apprenticeships are too demanding of the time of apprentices, and that too much importance is attached to theory at the expense of practice. The views of the committee majority are clear on this point: that the long-term interests of the industry are best served by broadly-based training, and that it is the role of the state to maintain high standards in the national interest, rather than to pay undue attention to the needs of individual enterprises in an industry where mobility of labour is such an integral feature of its operation.

Apprenticeships

7.12 Apprenticeships that are said to be in decline are the traditional contracts of training which had a three or four year duration, with practical employment

6 Submission No.17, op. cit., p.59, para.365

experience interspersed with set hours of TAFE training. There is general agreement that such arrangements produce the optimum training results. There is broad based skills acquisition and the provision of a good theoretical underpinning of practical knowledge and skill. With such a training background, tradesmen and women are likely to be more flexible and versatile in the work they can do, and more receptive to regular reskilling to take into account technological changes.

7.13 The committee has long been concerned about the decline in trade apprenticeships. This has been most strongly evident in the increasing reluctance of small business trades to take on apprentices for the reason that they are unaffordable in the first two, and sometimes three, years of their training. Only in the latter years of their apprenticeship can tradesmen and women pay their way in the firm. Related to this is the reduction of the average size of firms serving the building and construction industries. There has also been a large increase in the employment share of specialist sub-contractors who usually work alone, or with only a small number of partners. The growth in the scale of outsourcing, and increased labour hire employment, have also brought changes to the structure of employment in the industry which has been unfavourable to the expansion of traditional apprenticeships.

7.14 The apprenticeship statistics show a steady trend rather than a dramatic decline. Apprenticeship commencements have declined since 1999 and have fallen by 9 per cent by 2001.

New Apprenticeships

7.15 New Apprenticeships are the drivers of the Government's policy to increase the number of people undergoing training. The dramatic increase in the numbers over the term of this Government has resulted from the creation of a training regime which has seen a proliferation of new training courses corresponding to expanding areas of employment, particularly in the services industries. It has also seen the encouragement of private training institutions to fill the expanded training market, especially in courses not offered in TAFE institutes. This committee's report on skill shortages, tabled in 2003, was strongly critical of the focus of New Apprenticeships, which are concentrated mainly on providing basic skills to employees for the services sector of the economy. Such activity allows the Government to boast of considerable increases in the number of young people in training, while allowing it to ignore criticism that it is neglecting the requirements of industry in need of employees with higher level technical skills.

7.16 The relevance of the New Apprenticeship training issue to the building and construction industry turns on issues such as quality of training, in so far as it is of shorter duration, and whether expenditure on training of low-level skills is justified in the absence of effective financial incentives for training at the high-end level of skills essential to industry and construction. High level skills are needed for high value-added products which return more revenue. The committee has heard sufficient evidence over this and two previous inquiries to be convinced that the current training

policy framework favours low-skill acquisition at the expense of middle to higher skills training.

7.17 The Government's answer to this appear to be that in concentrating training at the lower end of the skills spectrum it is serving the needs of the service industry where most of the employment growth is taking place. The Government also defends the quality of training offered under New Apprenticeship arrangements: a claim that is strongly contested by industry. NCVER data indicates that only 41 per cent of New Apprenticeships at AQF 3 have expected durations of more than 2 years and only 8 per cent have expected durations of three or more years.⁷ The Government's response to this is that short duration courses are favoured by many contractors in the construction industry. This is so, but Governments must follow the strongest and best informed argument rather than the popular argument.

7.18 The Government's vocational education policies and operations have been thoroughly examined by this committee in its 2000 report. It suffices to say here that one concern raised by the committee in that report, and which remains relevant to training for the building and construction industry, concerns the customisation or tailoring of training to meet enterprise specific needs.⁸ Employer groups in the industry have been calling for the application of this practice, the result of which would see the emergence of narrow specialisations. For instance, building employers have been arguing the case for tilers not having to undergo the training that is required for bricklayers, the base trade in which tiling is a subset speciality skill. The Housing Industry Association (HIA) explains the problem in more detail:

It is also difficult to separate out aspects of brick paving and bricklaying and even break down wall and ceiling fixing into distinct training regimes and employment opportunities. This produces many inflexibilities and absurdities. For example, in far North Queensland, masonry construction is almost invariably using cement blocks rather than bricks. Yet it is impossible to train young people as block layers – they must be trained through the full traditional bricklaying apprenticeship, with skills never used and materials not available in their part of Australia. This sort of inflexibility severely reduces employment opportunities for young people and working flexibility for industry.⁹

7.19 In similar vein, some industry groups have expressed concern about the costs associated with current training and argue that apprenticeships should be reduced to core skills to address skill shortages. The Electrical and Communication Association in Queensland submitted that, for the purposes of serving the needs of domestic or household electrical contactors, apprenticeships should be reduced to the core skills applicable to this line of business, including training in safety, handskills, electrical

7 *ibid.*, p.66

8 Senate EWRE Committee, *Aspiring to Excellence: Report into the quality of vocational education in Australia*, November 2000, p.185

9 Submission No.13, HIA, p.25

theory and testing. More advanced options, the ECA argues, could be offered to those wanting to follow a commercial path. As current standards apply, sole traders and family businesses cannot afford an apprentice.¹⁰

7.20 Both of these cases would appear to urge changes that would fit within the Government's New Apprenticeship philosophy, except that such changes would need to run the gauntlet of industry training boards which consider the short term practical needs of employers in the context of overall training policy. The case made by the Electrical and Communications Association needs to be seen beside evidence to the committee from the CEPU in Darwin. A CEPU official described what the committee believes to be the likely result of any reduction in the course of training for electricians:

In America they break down the trade so that you do not have a licensed electrician who can come in and do power points, do lighting, fit off switchboards et cetera. They have broken the trade down so much over there that only one person comes in and is allowed to do the lighting, another person comes in and learns how to fit off power points and another one will come in and fit off the switchboard. That breaks down the trade tremendously. They have a lot more accidents over there than we do here. Thank God being an electrician is still a licensed trade; otherwise we would be in the same basket.¹¹

7.21 The committee is concerned that the short-term focus of the industry, with its boom and bust cycles is responsible for the calls for reductions in the length and complexity in training. Businesses that are focused on small margins and short term projects are not able to see the value in contributing to the development of a highly skilled workforce, particularly through a traditional apprenticeship program. The Construction Industry Training Board has said that there is a growing divide between the training and skills provided by the full apprenticeship qualification and the skills actually required in many of the contracting firms, particularly in the volume home building market. According to the CITB, this raised questions about the relevance of the training provided by the apprenticeship system.¹²

7.22 The committee majority particularly notes comment from the CITB which suggests that competitive pressures are at work to reduce the quality, and therefore the cost, of training. For small contractors, survival in the market is more important than training. One small contractor in Darwin told the committee that most contractors in the Territory could not see five years of work in front of them, so precarious were business prospects. So apprentices were not taken on.¹³ The bill before the Senate purports to benefit small contractors against the force of unionism, but their real

10 Submission No.15, ECAQ, p.8

11 Mr Alan Paton, *Hansard*, Darwin, 6 April 2004, p.30

12 Submission No.47, Construction Industry Training Board, p.5

13 Mr Vernon Cridland, *Hansard*, Darwin, 6 April 2004, p.50

problem is surviving the cost squeeze imposed by the builders who are the principal contractors.

It is in the interests of the building and construction firms to have large numbers of these smaller contractors to ensure vigorous competition exists for the projects on offer. Whilst this keeps the construction costs down, it also means that these small contracting firms are deprived of the certainty of work and operate on low margins. It is this uncertainty of work that limits the capacity for the contractors to engage an apprentice. Unfortunately, this is the price that has been paid by the industry and the community for having a highly adaptive workforce.¹⁴

Flexibility or versatility?

7.23 It is now fashionable to regard licensing boards and custodians of 'quality control' as analogous to medieval craft guilds. It is argued that they are conspiracies in restraint of trade and are out of touch with the requirements of the market economy. That these practices are supported by trade unions only proves the point of the criticism.

7.24 There is some dispute in the industry and among trainers as to the relative importance of minimum training periods as distinct from time spent on the attainment of competencies, but in his inquiry the committee heard strongly held views that effective training involved a strong theoretical skills base and a maturity factor. For instance the committee was told during its visit to the VicTech Skills Training Centre in Carlton that it was undesirable to curtail the length of a four year electrical training apprenticeship. This followed advice it received in Darwin that electrical training needed to be comprehensive, and to cover all licensing requirements because a number of allegedly qualified people were being rejected by the licensing authority.¹⁵

7.25 The electricians and plumbers appear to be in league on this issue. The committee heard that a good reason for maintaining a broad skills base for plumbers was that versatility was a hedge against loss of employment during industry downturns. This argument appears to be reasonable.

Within the plumbing qualifications there are four subcomponents of that particular trades equivalent. There might be a roof plumber, a hydraulics component, installation and maintenance. The view of a number of people—not just the CEPU—about that is that a gradual erosion of those four key competencies within that overall qualification will make it difficult for those workers with that small skill set to find an alternative occupation, in a building industry decline, outside the building industry in terms of their career possibilities and their employability.¹⁶

14 Submission No.47, op. cit., p.5

15 Mr Alan Paton, *Hansard*, Darwin, 6 April 2004, p.32

16 Mr Graham Warren, *Hansard*, Adelaide, 18 March 2004, p.100

7.26 Interestingly, builders and contractors who are critical of TAFE training and traditional apprenticeships often quote the counter benefits of 'flexibility' while discounting the value of versatility and multi-skilling. The committee majority believes that innovation and efficient project development require complex skills that can reach across the industry. Skill sets that are narrowly confined to selected components of an industry do not encourage innovation within vocations and between the multiple vocations on a building site.

7.27 NCVET statistics show that the proportion of traditional apprenticeships have declined as a proportion of the total number of trainees; from 54 per cent in 1998 to 31 per cent in 2003. This indicates to the committee a substantial real drop in the number of commencing traditional apprentices. This is not to suggest that New Apprenticeships in the service industries have been taken up at the expense of those wishing to enter the traditional trades. The New Apprenticeship incentive program is demand driven, and employment prospects in the service industries have expanded at an increased rate relative to employment prospects in manufacturing and construction industries. However the relevant consideration is whether the rate of training in the traditional trades is sufficient to meet the need. The committee, in common with participants in the construction industry, believes they are not.

Apprenticeship wages

7.28 The obvious weakness in the apprenticeship system that currently applies to traditional trades in the construction industry is the exceptionally low 'wage' which is paid. The committee heard that the pay of a first year apprentice electrician in the Northern Territory is \$5.40 an hour, which is not a living wage, even at full-time employment. This explains the huge skill shortage in the Northern Territory.¹⁷

7.29 The industry is experiencing difficulty in attracting and retaining a younger workforce, with witnesses providing evidence of apprentice drop out rates that are linked to poor wages, cultural behaviours and lower levels of investment in training by the industry.¹⁸

The fact that apprentices wages are so low makes apprentices vulnerable to being used as cheap labour. Awards and training agreements prohibit apprentices working outside of trades duties – that is that they prohibit apprentices being used as labourers. However the CFMEU has come across many instances of apprentices exclusively performing labouring work. The union is currently involved in handling a dispute with the Brick Industry Group Training Company, a Sydney based group training company and registered training organisation, over allegations of the widespread use of their apprentices as labourers.¹⁹

17 Mr Alan Paton, *Hansard*, Darwin, 6 April 2004, p.29

18 Submission No.17, ACTU, pp.58-59

19 Submission No.55A, CFMEU NSW, p.2

7.30 The committee majority agrees that apprenticeship wages are a disincentive to trades training. Low as wages are, they are also a disincentive for employers for the totally opposite reason that they are unaffordable. But we also need to have wages high enough to attract apprenticeship. The committee majority takes the view that the Commonwealth and the states will need to take an imaginative look at how funding support can assist apprentices in the trades.

Group training

7.31 Group training arrangements are proving to be generally successful in compensating for the increasing inability of contractors to offer traditional apprenticeships. Group trainers rotate apprentices among a number of host employers in order to provide continuity of work experience and development in a broad range of skills. CTA reports that group training companies account for about 30 per cent of all trainees in the building and construction industry, which is the highest proportion in any industry. High as this proportion is, however, group training arrangements have not led to any increase in industry apprentices or trainees overall.²⁰ Nonetheless, CTA is strongly in favour of group training, although it is aware of the association of this arrangement with labour hire companies, and warns that the industry need to ensure that group training companies maintain a training focus.

7.32 Industry groups such as HIA and ACCI support the implementation of group training schemes and streamlining to core skills training, with an emphasis on flexibility that can allow training or education structures to be set by employers.²¹

7.33 Group training receives support from some academics, and not because it is a scheme that makes the best of a deficiency. Dr John Buchanan believes there are some positive and dynamic trends at work affecting the whole industry.

If you look at other countries, they do not have anything like the apprenticeship system we have in construction. This is something to be celebrated and nurtured and worked with. If one is obsessed with the enterprise, one breaks up those structures of accountability and identity. Australia has been very innovative—it is something that is often overlooked and the construction industry was at the forefront of this—in developing group training arrangements. I am not sure if you know the statistics, but around one apprentice in four in construction now goes through a group scheme; in some local labour markets, it is as many as two in four. That is coordination of a very dynamic nature, because it means the apprentice is not indentured to any one employer but indentured to a central scheme, and the risks of employment are spread across a group of employers. This is a classic case of how coordination and flexibility can be combined to enhance both efficiency and fairness.²²

20 Construction Training Australia, *Building and Construction Workforce 2007*, March 2003, p.60

21 Submission No.13, HIA, paras.24–25; Submission No.14, ACCI, paras.193-195

22 Dr John Buchanan, *Hansard*, Sydney 2 February 2004, p.37

7.34 However, the committee also received evidence that group training is regarded in some quarters as a barely adequate substitute for traditional apprenticeships. The Queensland branch of the CFMEU claims that the failure of Queensland employers to take in apprentices has resulted in a high take-up of group apprenticeships in that state. The committee is less inclined to take employers to task over this, partly for the reason that the training record for Queensland compares very favourably with other states. While the committee accepts that in many cases group training schemes do not produce as good an outcome for the employer or the trainee as a direct relationship with an employer would, such schemes are the only practical way of ensuring training for many apprentices, and at their best they deliver very good training.

7.35 Furthermore, in its skills inquiry in 2003, the committee heard evidence from 'traditional' apprentices in Queensland that suggested their experiences were not always satisfactory. There were complaints in some cases of a lack of breadth in work experience, and a lack of opportunity to refine skills or acquire new skills. Traditional electrical apprentices serving their full term were not always able to meet licensing requirements because of insufficient experience.

7.36 Other submissions have noted that group apprentices are often used as labourers because of inadequate training and poor management by companies.

The Group Apprenticeship schemes carry out a useful function and bridges the training gap but they do not produce as good an outcome for the employer or the trainee as a direct relationship would. In downturns host employers return the apprentices to the group scheme which inevitably leads to the standing down of the apprentices.²³

7.37 The ACTU has made useful comments in regard to group training, stating that the schemes carry out useful functions and bridge the training gap, but they do not produce as good an outcome for the employer or the trainee as a direct relationship would. In downturns host employers return the apprentices to the group scheme which inevitably leads to the standing down of the apprentices. However, group training companies can readily use industry downturns to engage in training and to organise cross-training of apprentices which is essential to broadening their range of skills.²⁴ The committee notes that this is one positive advantage that group training has over traditional apprenticeships. The all important proviso is that much depends on the energy and enterprise of the company, and its ability to organise its programs effectively.

Employer attitudes to skills shortages and training

7.38 A number of submissions noted that skill shortages were affecting the industry and were likely to worsen as the current workforce retires. Part of the

23 Submission No.84, CFMEUQ, p.3, para.15

24 Submission No.17, op. cit., paras.352-353

explanation for relatively low levels of training conducted by the industry is the predominance of small firms which are less able to afford to train their employees. CTA figures show that only 29 per cent of employers in the industry provide structured training.²⁵

7.39 One result of skill shortages has been to encourage mobility of skilled labour, which also has the occasional effect of discouraging the training of local workforces. As the committee heard in Darwin, this trend particularly affects the Northern Territory which has not yet outgrown its reputation as a frontier town where itinerant skilled labour is the norm rather than the exception. Such labour provides short term solutions to problems which should be addressed by training agencies of government and local industry.

7.40 The committee was particularly interested to visit the Northern Territory because it had been identified by Commissioner Cole as one jurisdiction where the Workplace Relations Act was generally adhered to and which did not see the unsavoury industrial practices at work which his report was later to condemn in the southern states and in Western Australia. Comment on what the committee found in the Northern Territory in regard to some of these matters which will be dealt with elsewhere. In regard to apprenticeships, the record of the Northern Territory is probably worse than elsewhere. The committee was told that apprenticeships and training are at extremely low levels in the Northern Territory. This meant that skilled labour is often imported from interstate, and young Territorians were denied the right to gain skills which would enable them to find work in the industry.²⁶

7.41 The Government has recognised that there are two critical training strategies that have to be implemented in the industry: training new entrants and increasing the skills base of the current workforce.²⁷ However there are structural barriers to address both of these training strategies, with industry unable to resource the re-skilling of employees required to provide the industry with qualified tradespeople.

7.42 Witnesses have attributed this in part to high levels of self employment and low levels of permanent employment in the industry resulting in a high turn over of staff, including apprentices, who move from job to job and employer to employer. This has resulted in perceptions of low return on investment in training by employers, with skilled staff 'poached' in a competitive industry.²⁸ This environment also

25 Construction Training Australia, op.cit., p.38

26 Submission No.88, CFMEU (NT), paras.8-9

27 *Building Brighter Futures: Present and Future Skills Needs in the Building and Construction Industry*, August 2001, Executive Summary, pp.2-3

28 Submission No.26, Australian States and Territories: QLD Government, paras.37-39; Submission No.17, op. cit., paras.363-64

contributed to the low uptake of apprentices, requiring support for training by state governments.²⁹

The award system

7.43 Clause 51 of the proposed bill contains provisions to further simplify building awards and to ensure that exceptional matters orders in relation to industry disputes are made only by the Full Bench of the AIRC.³⁰ Putting this another way, the bill proposes a further costly round of litigation aimed at further award stripping, resulting in a significant loss of earnings for more vulnerable employees. The ACTU submission concedes that many employees will succeed in retaining threatened provisions in certified agreements. The relevance of this issue to training is that paragraph 4(b) of the clause excludes training or education from the list of allowable matters except in the case of leave and allowances for apprentices. The practical effect, according to the ACTU, is as follows:

Skill-based career paths, for example, have played an important role in encouraging training and providing clear and accessible career paths to employees who might not previously have aspired to this. The specific exclusion of “training or education (except in relation to leave and allowances for trainees or apprentices)” is presumably aimed at union training in dispute resolution and the like, but would also cover any other leave or reimbursement of expenses for training undergone by employees.

It is simply extraordinary that the Bill seeks to discourage training by preventing the Commission from dealing with this issue in any way.³¹

7.44 The ACTU further comments that the removal of training from the award, particularly for apprentices, will reduce any capacity for the industry to ensure that a skilled workforce is available in the future to contribute to a highly productive sector of the Australian economy. It argues that the effect of proposed paragraph 51(4)(h), prohibiting award provisions dealing with the number or proportion of employees that an employer may employ on a particular type of employment or in a particular classification, will have the effect of removing existing provisions setting out ratios of apprentices to tradespeople.³² This will allow employers to evade current obligations to maintain the pool of skilled tradesmen and women. It is a provision that is at odds with recommendations of the Cole royal commission.

7.45 The committee notes that the award system is often used by industries such as the electrical trades to establish career paths and to align training packages against national bench marks. This ensures that the construction industry can keep up to date with the latest innovations in sectors that are likely to provide the highest innovations

29 Submission No.26: Australian States and Territories: Tasmanian Government, paras.22–31

30 *Explanatory Memorandum*, p.39

31 Submission No.17, op. cit., p.13

32 *ibid.*, p.60

and productivity gains. The committee accepts that the removal of training and education from allowable matters in the award is likely to adversely affect the overall skills base that is available to the industry into the future.³³ As CEPU evidence stated:

CEPU Electrical Division members rely on the Electrical Contracting Industry Award training provisions to identify and provide for their career path. Throughout their working career electrical and electronic workers undertake regular update and additional training to both keep their skills current and to upgrade their skills. They work in areas where technological innovation is rapid and on-going training is essential. Being compensated for that training is an incentive to undertake the training.³⁴

7.46 Industry groups such as ACCI and Ai Group do not support the elimination of training from awards. While ACCI sees award simplification as a positive outcome of the bill, it urges a more flexible approach in establishing awards to ensure that descriptions of training programs in awards can be allowable as part of the fixing of wages and conditions.³⁵ Ai Group states that it is far from satisfied with aspects of the skill-based classification structures in construction awards, but, unlike ACCI, does not agree that this matter would be more appropriately dealt with at the enterprise level. Ai Group argues that skill-based classifications in awards, when appropriately structured, are able to encourage higher levels of skill and address skill shortages in the industry through linkages with national competencies and industry training packages.³⁶

7.47 As noted in chapter 1, the industry is dominated by subcontractors, who, in general, have no complete understanding the multiple training needs of the industry. The CEPU has submitted that by providing a clear set of training provisions through an award, employers can establish with employees appropriate training schedules to improve employee retention rates. It also removes potential industrial disputes, with both employers and employees using agreed standards for training and ensure that skills can be identified for the purposes of negotiating agreements. Thus, the industry drives improvements in skills across the different sectors, with identified career paths. This practice also minimises the incidence of *ad hoc* training programs that do not support the broader skills sets that can drive efficiencies and innovations by the industry.³⁷

7.48 The committee is also concerned that the removal of training from awards is a further restriction on employees' rights to collectively bargain, including the right to establish a career path which suits the long term skills requirement of the industry. The International Centre for Trade Union Rights submitted that the further attenuation

33 Submission No.27, CEPU, paras.6.1.11-6.1.12

34 *ibid.*, para.6.1.23

35 Submission No.14, *op. cit.*, para.115

36 Submission No.1, Ai Group, Attachment A, p.77

37 Submission No.27, CEPU, paras.6.1.25 - 6.1.26

of the scope of awards as proposed in the bill is inconsistent with Australia's obligation to promote and encourage collective bargaining. The effect of this limitation on awards would be to diminish the viability and attractiveness of awards as an instrument reflecting the terms of collective agreements.³⁸

7.49 Finally, the committee received strong representation from the CEPU on the matter of training and the award. The secretary of the union explained to the committee that, from his own experience as chair of one of the ANTA skills councils and as a member of the ACTU Vocational Education and Training Committee, if that award provision is taken out of enterprise agreements, it is possible that provisions in relation to skill formation and ratios of apprentices will become subject to the provisions of pattern agreements. The national secretary, Mr Peter Tighe, in commenting specifically on the effect of the proposed award change, summed up a number of issues which have been canvassed in this chapter:

You will see a marked decrease in the number of people trained in the industry. My own organisation and responsible employers in the industry have put in a lot of work in relation to the skill shortages that are in place in our sector today—we are around 23 per cent below the level of apprentices that should be in training, some 5,000 to 6,000 electrical apprentices. We have seen the development of the group training companies which are now in place. These are the largest trainers of electrical apprentices in Australia—our two in New South Wales and Victoria train upwards of 500 electrical apprentices each year. With the increase in labour hire and supplementary labour to core labour, which does not add to the increased effort in relation to training, we will see a further decline of electrical trades people within this country, which will be disastrous for the totality of a number of industries.... If we cannot put in place provisions in relation to education and training in that area, my view is that in five years we will be having twice the level of difficulty with skilled workers that we have today.³⁹

7.50 Awards are seen by the Government as a vestige of a discredited industrial relations past, and it has long sought the reduction of allowable matters in awards as a step toward the 'purification' of enterprise agreements. Again, the committee majority observes that an ideological stance is at odds with the need to address very practical problems facing the industry. In this case in point, employers are offered a clear disincentive to engage their workers in further training. Many enterprises which rely on high order skills will doubtless ignore this provision and EBAs will reflect this. It will more severely affect workers who wish to upgrade their skills but whose employers are indifferent to the need for them to do so.

38 Submission No.77, ICTUR, p.35

39 Mr Peter Tighe, *Hansard*, Sydney, 3 February 2004, p.7

Paying the cost of training

7.51 Funding for training is a highly contentious element of the skills debate, with employers arguing that they cannot afford to invest in a mobile workforce that may provide labour for relatively short periods of time in the operations of a company. Nevertheless, it could be argued that the construction industry as a whole also takes training more seriously than most other industries, and has addressed funding through a variety of methods ranging from full investment in training schemes by individual companies, through obtaining government incentives for apprenticeships schemes, and extending to industry sponsored training schemes.

7.52 Significantly, the industry is alone in accepting the need to have a training levy. These operate in four states (New South Wales and Victoria being the exceptions) and in both territories. These building and construction levy bodies have a statutory basis, operating under government appointed industry representatives. Currently, the five funds together spend around \$30 million annually in training support for approximately 300 000 current workers and about 5000 apprentices. This is money well spent, for, as Construction Training Queensland told the committee:

... apprentices and trainees funded from the industry training fund have an attrition rate of less than 10 per cent. This is five times less than the all-industry (including building and construction) high of 50 per cent. The reason? Industry training funds value-add – they don't just provide the funds, but also the 'after sales service' which keeps more apprentices and trainees in their training. So the value of industry training funds is two-fold. Not only are they an alternate source of funding, but they are strategically placed to better target this funding for maximum impact and to provide the "after sales service" that government cannot.⁴⁰

7.53 CTA also notes that by supplementing the training funded by the Commonwealth and the Queensland Government, the Building Industry Training Fund in Queensland has increased the total number of apprentices and trainees by 1611 in 2000-03. The Tasmanian record is also good, with over 23 000 being put through workplace safety courses since 1991.

7.54 There is a range of industry opinion about the effectiveness of funding levies. The ACTU has pointed out that the current state training levy arrangements highlight the absence of a nationally co-ordinated and consistent scheme. It notes also that the initiative of state governments, at the behest of the state construction industry training boards, is under threat from the current policy of rationalising ITABs. This process will see Construction Training Australia being forced to amalgamate with the property services sector. The ACTU sees this policy as motivated by the desire to reduce union influence in the various industry training boards.⁴¹ The committee has seen no comment on this issue from industry bodies.

40 Submission No.50, Construction Training Queensland, p.3

41 Submission No.17, op. cit., p.58

7.55 The Housing Industry Association (HIA), as a registered training organisation, is concerned about accountability of industry training funds and ACCI notes that the construction levy could be used by employers rather than applied collectively.⁴² Other industry groups such as NECA have advocated dismantling industry training funds because of concerns that employers have little say over whether the training meets the needs of their business. Instead, NECA would appear to advocate the removal of a tripartite approach to training in the industry, preferring to recommend either unions or employers undertake direct responsibility for training their members on behalf of the industry as a whole.⁴³

In terms of post-trade training, we generally try to fund that through a levy scheme operating in the industry through our EBAs, and that seems to be working pretty well. It is delivering a huge amount of training to tradespeople and the like. We do have a difficulty with the current federal government's policy when it comes to the funding of ITABs—industry training advisory boards. The Queensland Utilities and Services Industry Training Advisory Board was the victim of financing arrangements by this current federal government and, again, the burden has now fallen to both the union and the industry employers association to largely fund that ITAB. That is a significant impost on our limited resources. It would become even more difficult to fund into the future if this sort of legislation became law and we were prevented from operating in a significant area of our membership and potential growth.⁴⁴

7.56 The committee notes that NECA continues its relationship with industry and the Electrical Trades Union (Southern Branch) in supporting VICTEC, the private RTO and group training company operating out of Carlton. This is a successful operation, born in the early 1990s out of a belief that the TAFE system was insufficiently flexible in its training arrangements. The committee commends this model of collaboration, which would see even more success were private RTOs engaged in higher order skill specialisation granted some measure of recurrent Commonwealth funding. This is warranted by its community service programs alone, in providing electrical training for young people from disadvantaged areas of Melbourne.

7.57 Some witnesses have stated that the Government's current apprenticeship scheme is not flexible enough to adapt to different industry requirements, with the skill sets for trades in the construction significantly more complex and dangerous than trades in other industries, requiring longer training timeframes and more financial incentives and support for employers to ensure that employees be trained for the period of time that is required to reach full competency in the range of skills that are required for the construction industry.

42 Submission No.13, HIA, pp.24-25; Submission No.14, ACCI, pp.51-52

43 Submission No.39, NECA p.4

44 Mr Richard Williams, *Hansard*, Brisbane, 24 February 2004, p.128

The Committee should examine the feasibility of basing employer incentives on the relative cost to employers for different occupations so that incentives better reflect the time that apprentices in different occupations take to become competent in the full scope of skills in the qualification.⁴⁵

7.58 The committee majority has no formed view on the intricacies of funding training for the building and construction industry even though it notes the anomalies and problems that currently exist. In the concluding section of the chapter it sets out some ideas for an approach to dealing with these problems.

Union initiated training

7.59 The proactive training role of unions, while acknowledged and widely supported throughout the industry, has incurred the suspicion of the current Government. The committee believes that this suspicion arises from a conservative view of the role of unions, and an instinctive dislike of any attempt to involve unions in mainstream industry concerns and activities. There is concern that such an activity may elevate the status and importance of unions as key stakeholders in the industry. This is directly at odds with the instincts and the policy of the Government, which is to marginalise unions to the extent that they will wither away.

7.60 The Cole royal commission's interest in union training activity appeared to be restricted to union training activity which attracted Commonwealth funding likely to be misused for industrial relations purposes. One union-run training centre which attracted the particular interest of Commissioner Cole was the Construction Skills Training Centre (CSTC) in Perth, a registered training organisation established by the CFMEU with funding from ANTA through the state training authority. The CSTC describes its role and its record in the following terms:

The CSTC is providing young Western Australians with the skills to get a job to better themselves. The CSTC is open to all workers, both union members and non-union members, those who are employed and those who are unemployed. The CSTC benefits industries as a whole, including employers, by providing highly trained, skilled workers. The skills centre trained 6,000 workers in the 2003 calendar year. The CSTC has provided training to the Department of Defence and to big companies like Woolworths. WorkSafe estimate that 71 per cent of crane drivers, riggers and scaffolders in WA are trained by the CSTC.⁴⁶

7.61 The Centre carries out around 70 per cent of training done in Western Australia, with a significant transfer of skills interstate. Royal commission investigators found no irregularities in the Centre's use of funds.

7.62 The CFMEU Queensland branch manages an apprenticeship initiative which sees 60 additional apprentices in the industry funded through the Queensland

45 Submission No.47, Construction Industry Training Board, p.8

46 Mr Kevin Reynolds, *Hansard*, Perth, 16 March 2004, p.2

Construction Training Fund. This organisation manages the apprenticeship training and subsidises employers up to \$1000 per annum. This initiative is claimed to be one of the most cost effective training initiatives in the industry. Essentially, the scheme is managed by 1.3 people in total and the QCTF funds the scheme on the basis of fee for service.

7.63 The CFMEU claims that its Skills Management Project 2000 was the first to accurately assess the skills deficiencies of over 650 building construction workers and provide tangible assistance to them to extend their qualifications to full trade status. Hundreds of these workers are now fully qualified tradesmen working and training apprentices in the industry. The project was successful in defining four or five training programs that can be used to upgrade building tradesmens' skills.⁴⁷

7.64 The CEPU Queensland Plumbing Division spokesman told the committee:

Up until probably four or five years ago there was virtually no post-trade training happening in the plumbing industry. We got some grants through the Queensland Construction Training Fund and later through the Building Industry Training Fund to run training courses. The union have organised trade training courses both regionally and in Brisbane over the last four or five years and have trained up to 900 union members and non-union members during that period of time as a commitment to the industry. That has sparked an interest in training to the extent that employer associations, such as the Master Plumbers Association, have started to run training courses as well. The whole training agenda has shifted to the extent that people now accept the concept of lifelong learning as opposed to doing a trade and finishing your time. That would not have happened if it had not been kick-started. Being a licensed trade the retention rates for apprentices are appalling and the completion rates are appalling, but the uptake for the plumbing trade compared to the other building trades is reasonably high. I do not think we meet the one to eight ratio but we would probably be among the building trades that would be the closest to it.⁴⁸

7.65 The record of union participation in carrying the training load for the industry is well recognised. The committee saw no evidence of any political or industrial influence in the training that was offered. Allegations of such occurrences at the CFMEU skills centre in Perth have no foundation, which is probably why a host of bodies unconnected with the building trade, such as the Department of Defence, continue to assign personnel to the centre for training.

Future directions

7.66 The committee majority concludes with the view that the Government's expenditure on extravagant inquiries and institutions for the purposes of bringing trade

47 Submission 84, CFMEUQ, p.3, para.19

48 Mr Jorgan Gullestrup, *Hansard*, Brisbane, 24 February 2004, p.127

unions into line is worthy of a more productive objective: that is, programs to underpin the national training needs of the building and construction industry.

7.67 It should be acknowledged that Commissioner Cole made a worthwhile recommendation in regard to training, notably, in Recommendation 142, that the requirement for tenders to Commonwealth building projects should include provision for the employment of apprentices. This rule applies in most state jurisdictions in regard to public works tenders. The committee majority strongly supports this idea.

7.68 Another worthwhile idea which has already received strong support in construction circles is the introduction of a construction skills certification system. This has become known as the Skills Card. Data on the card would be certified by a registered training organisation and would include the competencies and qualifications gained by the card holder. Thus it would be a job passport. Construction Training Australia has completed a pilot project for the card in Queensland, the evaluation of which is still awaited.⁴⁹ Interestingly, national representatives of the housing construction industry have indicated a lack of interest in the scheme, which may or may not indicate the valuation which this sector places on skills. The committee majority believes it has many advantages to offer the commercial construction industry and those who work in it.

7.69 The evidence strongly suggests that core skills in the industry are beginning to erode, at least to the extent that a much smaller proportion of people entering the industry will be equipped with the full range of skills that will allow them to further develop their capacities in the industry. There are pressures on training providers to allow training that will fragment skills rather than consolidate them. Narrow specialisation will eventually lead to a less flexible skills market, to the disadvantage both of industry and individual tradesmen and women. For the same reason the industry will, in the future, be short of competent building foremen and supervisors. Furthermore, the increased use of labour hire companies will see a systemic neglect of training and likely diminution of building quality. If low-wages for apprentices continue, without some form of compensating remuneration scheme, the skill shortage will become more acute in the short term.

7.70 The committee believes that it is necessary for the Commonwealth to develop or to initiate, either through ANTA or an ANTA-style body drawn from the building and construction industry, a bi-partite industry training and development plan. An organisation should be established to implement this plan, representing industry stakeholders, with due regard to the necessity of closely involving state and territory interests. One of the tasks of such a body may be to consider the extension of a building levy to all states and the possibility of subsidising the employment of apprentices in the first years of their training. The committee majority believes that the industry is in far more need of exclusive institutional support on the issue of training than it is in need of an industry policing regime.

49 Construction Training Australia, *op. cit.*, p.67