

Submission no: 23
Received: 24 February 2003



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PRESIDENT
Sharan Burrow
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21 February 2003

The Secretary
Senate Employment, Workplace Relations and Education References Committee
Suite SG .52
Parliament House
CANBERRA ACT 2600

By e-mail: eet.sen@aph.gov.au.

Dear Secretary

Please find attached a copy of the ACTU submission to the Senate Workplace Relations and Education References Committee Inquiry into current and future skills needs.

If you require further information in relation to this submission please contact ACTU Industrial Officer, Jacqueline King, on (03) 9664 7336 or e-mail - jking@actu.asn.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Burrow', written over a white background.

Sharan Burrow
PRESIDENT



SUBMISSION

to the

SENATE EMPLOYMENT, WORKPLACE RELATIONS & EDUCATION REFERENCES COMMITTEE

CURRENT AND FUTURE SKILLS NEEDS INQUIRY

Introduction

- 1.1 On the 23rd of October 2002, the Employment, Workplace Relations and Education References Committee of the Senate of the Parliament of the Commonwealth of Australia called for an inquiry and report into matters impacting on current and future skills needs.
- 1.2 This submission seeks to address a number of matters that fall within the purview of the Committee's inquiry, in particular skills development and quality of vocational training within the context of:
 - the effect of changing technologies, industries, working patterns and workforce demographics;
 - declining structured training investment;
 - user choice and its impact on quality training outcomes;
 - the effectiveness of the New Apprenticeship system, funding programs and incentives; and
 - changes to industry advisory arrangements.
- 1.3 The submission is based on the assumption that the role of Government is to intervene to improve employment prospects, equity and industry success. This means that Government is not just an observer of labour market, industry structure, employment and training trends as determined by the market. Rather, Government policies should intervene to improve employment prospects, access and equity and industry skills.
- 1.4 Vocational training should therefore be considered within the broader context of social and economic policies, integrating industry, labour market, employment, vocational training and industrial relations policies in the development of public policies focused around industry sectors.
- 1.5 The submission concludes that current vocational education and training policies need to refocus to take account of major structural shifts within the labour market and methods of work organisation.

- 1.6 The primary purpose of vocational training has been, and should continue to be, about facilitating people into employment and improving the skills levels of those within the workforce.
- 1.7 In particular, VET policies need to be developed through structured industry planning that address the changes in the labour market and that seek to redress imbalances, whether they be skills supply and demand issues, inequitable training outcomes or marginalised workers.
- 1.8 The submission calls for the public policy recognition of a dual system of structured training. That is a re-positioning of the New Apprenticeship system to focus only on entry level training, in particular for young people, and a second training strategy for the development of skills for the existing workforce within the context of national Training Packages and workplace training strategies.
- 1.9 The submission therefore recommends an additional allocation of funding for a new workplace training program to fund training initiatives for the recognition of skills and further skills development of existing workers that lead to national qualifications. Changes are also recommended to the existing employer incentive schemes to rectify ongoing anomalies such as access of existing workers to traineeships and continuing low quality outcomes for many on the job traineeships, as well as to recognise and provide increased incentives for apprenticeship based training. Greater consistency is also recommended between Commonwealth and state incentives for traineeships and apprenticeships.
- 1.10 The submission emphasises the need to ensure that TAFE as the 'training arm' of government is adequately funded to play its role in partnership with industry and communities in limiting labour market skill shortages and in providing access to training for sustainable employment.
- 1.11 The submission further argues there is an urgent need to halt the current decline in employer investment in structured industry training and to examine opportunities for government, industry and unions to consider incentives such as industry/employer levies, training funds, collective agreements, tax credits, codes of practices and partnerships to promote skills development and quality

vocational training pathways that lead to sustainable employment, recommending a combined approach of institutional, industry and workplace training strategies.

- 1.12 Finally, account is taken of the current debate about industry advisory arrangements and the need to ensure proper funding continues to support tripartite industry bodies as well as provide better coordinated strategic industry planning at both a government and industry level.

Summary of Recommendations

- 1.13 Skill shortages and recruitment, attraction and retention issues should be addressed through structured industry planning and industry-union agreements that take account of employment, vocational training and industrial relations policies for individual industry sectors.
- 1.14 Support for the development of cooperative approaches between government, industry and unions to retrain workers who are likely to be displaced as a result of technological change or industry restructuring, including the introduction of requirements for increased notice of potential redundancies by industry to government, unions and affected employees, and the provision of publicly funded retraining opportunities primarily through TAFE and employment search assistance in such instances.
- 1.15 Support for the implementation of quality labour market retraining programs linked to skills development leading to national qualifications within emerging industries and identified skills demand areas.
- 1.16 Government should actively engage with industry, unions and the community through promotional activities as well as joint ventures to promote the direct employment of young people and older workers.
- 1.17 Government as an employer should adopt employment policies to provide secure and ongoing employment for young people and older persons in public sector jobs (in addition to traineeships and apprenticeships).
- 1.18 Increased Government funding for cooperative ventures between employers, unions and workers and other bodies (such as TAFEs and other RTOs, or group training companies) to promote basic literacy and numeracy training within workplaces, including specific funding and support for unions to resource union learning representatives.
- 1.19 Increased Government funding to TAFE as the public provider to:
 - Ensure access to training for all young people;

- Ensure increased support for people with a disability in apprenticeships and traineeships;
 - Increase the participation of indigenous people in the labour market; and
 - Assist existing workers to achieve secure employment and career opportunities.
- 1.20 Integration of VET policies with industry, labour market and industrial relations policies that support and match industry skill needs, as well as to help reduce income inequality within the labour force and promote equity and access to entry level and structured industry training in the workplace for all workers.
- 1.21 Adoption of policies to stimulate increased employer investment in structured training leading to national qualifications, for example, through industry or employer levies, bipartite industry-union training agreements. Any initiatives should include specific requirements to deliver equitable training for full time, part time and casual workers, as well as labour hire and contract workers. Note: support is not given to casual training contracts.
- 1.22 Government should consider the adoption of tax credits or rebates for enterprises that engage in structured industry training leading towards national qualifications within the context of employer-union negotiated enterprise or workplace training plans.
- 1.23 The adoption of complementary policies to remove taxation and award incentives for the use of casual and contract labour and the restriction of casual and contract conditions to meet genuine situations of short term and cyclical demands.
- 1.24 Adoption of policies by government and major employers and supported by unions, to secure higher training investment in particular industry sectors through codes of practice. For example, requirements through the application of tenders to secure specified levels of industry training leading towards national qualifications for sub-contractors or contractors.
- 1.25 Development of training and skills development initiatives through collective agreement-making between employers and unions, including mechanisms to

support funding of structured industry training arrangements and the negotiation of agreed training plans at the workplace level.

- 1.26 Adoption of cooperative approaches to employment and training initiatives between government, industry, unions and training providers, particularly TAFEs to help further the development of skills for particular industries and regions.
- 1.27 Expansion of industry development and research and development programs to include a greater emphasis to balancing skills with regional employment initiatives.
- 1.28 Establishment of Innovation and Applied Research Centres (IARC) in cooperation with TAFE Institutes to add value to the inventions and innovations developed by workers in industry.
- 1.29 Support and resources to assist employers, unions and employees develop agreed workplace training plans to access structured industry training that complements the workplace and develops industry skills within the context of national qualifications.
- 1.30 Increased public funding to assist industry and employees with recognition of current competencies as part of workplace training strategies leading towards national qualifications, including designating priority areas or joint initiatives by government, industry, unions, training providers including TAFEs, and group training companies.
- 1.31 Adoption of a dual system of structured industry training leading to national qualifications: one for entry level pathways through traineeships and apprenticeships, and the second for training strategies for the existing workforce. Together this dual system should assist to build a workforce with well paid secure jobs and sustainable career opportunities.
- 1.32 Further changes to the Commonwealth New Apprenticeship Incentive Program and the adoption of a nationally consistent approach by the Commonwealth and all states and territories to include:

- (i) Restriction of incentives for existing employees at AQF Level 2 to targeted skill shortage areas only;
 - (ii) Removing access to incentives for lower skill on the job traineeships (AQF Level 2);
 - (iii) Linking payment of any up-front incentive to the completion of the probationary period and individual training plans;
 - (iv) Payment of a new incentive to employers and registered training organisations who undertake recognition of current competencies for existing employees leading towards national industry qualifications and linked to the identification of future training needs and agreed employer-union workplace training plans; and
 - (v) The introduction of an annual incentive linked to completion of competencies, and involving an increase in the overall incentive for employers for higher level trade based apprenticeships.
- 1.33 Adoption of nationally consistent stricter quality controls for registered training organisations (RTOs) that continually offer and provide on the job traineeships and quality control mechanisms to vet those employers and registered training organisations that continually misuse the system.
- 1.34 In recognition of higher labour market mobility, incentives/public funding should also increasingly be directed at a collective level rather than individual employers, for example group schemes, registered training organisations and industry collaborations.
- 1.35 Reform is required to both federal and state industrial and workplace relations laws to remove exemptions for trainees and apprentices from unfair dismissal laws, and to limit the use of casual and contract work to genuine short term and cyclical demands.
- 1.36 Support for the development of cooperative approaches between the Commonwealth, states, employers and unions to ensure:
- (i) training agreements/contracts for apprentices and trainees are observed and implemented;
 - (ii) training plans are in place prior to payment of incentives (see Rec 2.18);

(iii) apprentices and trainees are not unfairly treated or dismissed.

- 1.37 Increased funding to be provided for appropriate pre-apprenticeship block training and release, particularly in TAFEs, collaborative use of facilities/training centres and other initiatives to strengthen apprenticeship entry level pathways in agreement between government, industry, unions, training providers and group training companies.
- 1.38 Examination is also required of the qualification level of apprenticeship outcomes in comparison to other traineeships currently assessed at the same level, as well as to redress current inequities between apprentice and trainee wage arrangements under the award safety net.
- 1.39 Support for industry involvement in the approval of registered training organisations.
- 1.40 Support for detailed future forecasting of industry skill needs and demands and strategic industry planning to be driven collectively by industry and unions.
- 1.41 Support for the continuation of ongoing tripartite industry advisory body structures that are given sufficient resources from government to perform their role efficiently and effectively.

The effect of changing technologies, industries, working patterns & workforce demographics

- 1.42 Since the 1980s, the Australian vocational education and training system has undergone substantial reform, moving from a narrow base focused primarily around trades and technical training, toward a new national training system across states and industries, with employees able to undertake industry competencies and to achieve national qualifications.
- 1.43 At the same time, Australian workplaces have undergone major changes. Both economic and social developments and the impact of globalisation and labour market deregulation have driven industry restructuring, giving rise to a changing labour force and new methods of work. These in turn have led to a demand for changing skills for the Australian working population.

A changing labour force

- 1.44 Within this environment, the Australian labour force has undergone major structural change, experiencing rapid growth in forms of non-standard employment. For instance, between 1982 and 2002 part time work grew from 17 to 28.7 per cent of all employed personsⁱ, while during the 1990s casual employment also increased to 27.3 per cent, accounting for three-quarters of jobs growth: the largest area in part time casual work.ⁱⁱ
- 1.45 Employees employed through employment agencies and labour hire firms also grew, now standing at around 4 per cent of all employed persons. And of the growing numbers of self employed, approximately 12 per cent of all employed persons, almost 40 per cent are regarded as being in dependent contract arrangements.ⁱⁱⁱ There are also an increasing number of persons employed on fixed term contracts, comprising 2.2 per cent of employed persons.^{iv}
- 1.46 These changes have had implications for the Australian community, with rising levels of income and social inequality experienced over the past decade. Almost nine in every ten jobs created during this time were low paid, predominantly part time and casual, and earned less than \$500 per week.

The wage differential between part time and casual workers and full time permanent workers also increased, with average earnings of permanent full time workers 11 per cent higher than for casual full time workers, and 59 per cent higher than for part time workers.^v

- 1.47 Over the past twenty years, the demographics of the Australian labour market have altered: first, with the collapse of the youth labour market in the 1980s, then the exodus of older skilled workers accompanying industry and workplace restructuring of the 1980s and the 1990s.
- 1.48 Job mobility has also increased, with today's worker expected to change careers many times throughout their working life cycle prompting calls to develop life-long learning strategies.
- 1.49 Youth employment is now more intermittent characterised by casual and part time work, and often work accompanies schooling and/or tertiary studies. Youth employment is also likely to be segmented within the labour market. For instance, youth employment in the retail trade and in the accommodation, cafes and restaurants industries makes up almost forty per cent of all employed persons, with casual employment accounting for around half of all jobs.^{vi}
- 1.50 And while it can be argued that some young workers accept casual or part time arrangements to help subsidise study, because of the changes in the labour market many young workers also can only find employment in these type of jobs.
- 1.51 Australia also has an ageing population with critical implications for the future labour force and skills development, with the population projected to grow by less than 1 per cent per annum over the next 20 years. By the year 2010, almost half the population will be aged over 45 years.^{vii}
- 1.52 Unemployment and underemployment continue to remain a problem within the Australian labour market. While official unemployment rates have reduced from around ten per cent in the early to mid 1990s to their current national level of 6.1 per cent, unemployment remains problematic, in particular for young people, indigenous persons, older people, and for people in regional

and rural areas of Australia.^{viii} Many casual and part time workers who are low paid are also involuntarily seeking increased hours, the majority of whom do so to increase their earning levels.

Industry restructuring & business reorganisation

- 1.53 Australian industry has also undergone substantial restructuring, shifting from what was originally a predominantly manufacturing and agricultural base towards a more service and knowledge based economy. In recent years, growth has continued in retail trade, health and community services, property and business services, education and construction, with manufacturing remaining steady.
- 1.54 Perhaps more significant than changes in industry composition however, have been the changes to business organisation, principally in response to increasing competition arising from globalisation, which has resulted in work reorganisation accompanied by substantial restructuring of the labour force.
- 1.55 Industry has also been required to respond to government policies which have changed labour market regulation to allow competition based on lower unit labour costs, principally through the increased use of casual and contract employment driven by policies to exclude union influence and discourage union membership. In turn, national restrictions to capital flows and trade in goods and services have been removed facilitated by the wind back of industry assistance and regional assistance policies.
- 1.56 Many businesses have reorganised into supply-chain structures, requiring greater flexibility and innovation to adapt to changing product markets. More employers also have to increasingly respond to shareholder concerns, with an associated short term focus on profits. Businesses have restructured into core and peripheral labour forces with an increasing reliance on a permanent core full time workforce, supplemented by part time and casual workers to meet cyclical demands.
- 1.57 In addition, many pre-existing work functions have been contracted out, with businesses relying more and more on labour hire and contractors to provide specialist services or lower skilled routine work such as cleaning.

- 1.58 Between 1989 and 1995, for instance, over one-third of workplaces surveyed under the Australian Workplace Industrial Relations Survey had contracted out some of their services. During the same period, the proportion of workplaces using agency workers also increased from fourteen to twenty-one per cent, an overall increase of fifty per cent.^{ix}
- 1.59 In addition, research conducted by the Australian Centre for Industrial Relations Research and Training in 2000 indicated that some 26.9 per cent of Victorian workplaces were using labour hire, agency workers, contractors or sub-contractors.^x
- 1.60 Within this environment, training has become increasingly invested only in the core permanent workforce largely comprised of full time permanent employees, excluding part time and casual workers from training and consigning them in general to low skill, low wage work.
- 1.61 Under this new form of work organisation, labour hire and contract employees also have less access to training and as a result are generally lower paid and lower skilled, except in highly specialised areas, and exacerbating growing income and social inequality over the past decade.

Skills development issues

- 1.62 Australian industry continues to experience skill shortages within industries and occupations, with skills shortages tending to operate within those industries most affected by cyclical turns, as well as in some professions. It is also suggested that shortages have tended to occur in three broad occupational groups: the professions (engineers, computing, nurses and teachers), trades (metals, vehicle, construction, food and furniture), and services (including child care workers).^{xi}
- 1.63 Of particular note is that industry bodies report the availability of qualified labour as the second most serious constraint on investment after business taxes and government charges. Availability of qualified labour is also rated as a more significant constraint to investment than wage and non-wage labour costs.^{xii}

- 1.64 There is also evidence of the existence of a skills mismatch within the labour market, where a significant proportion of employees in the labour market holding higher level vocational and educational qualifications are actually employed in lower skilled occupations. At the same time, many industries are continuing to experience shortages of skilled employees, while unemployment levels remain a problem in many regional areas, indicating the balance between supply and demand requires better integration and planning between industry, labour market and VET policies.
- 1.65 Many industries and occupations are also experiencing problems with recruitment and attraction, as well as suffering major retention issues. While the reasons vary, work intensification, job dissatisfaction, work and life expectations and low wages are among a range of factors. See for instance nursing and teaching, and in more trade oriented industries such as manufacturing and construction the decline in apprenticeship intake, as well as high levels of non-completion of traineeships across a range of industries and occupations.
- 1.66 Employer demands on labour force skill levels are also increasing, with expectations that employees are proficient in occupation specific skills, as well as higher order cognitive and generic skills such as diagnostic, analytical, research, interpersonal, human relations, networking, negotiating, computer and communication skills.
- 1.67 Some employers also have an increasing expectation that individual employees will take on responsibility for upgrading their skills yet provide little incentive to do so.
- 1.68 And while public policy has focused on the development of higher level skills, only limited attention has been paid to underlying levels of literacy and numeracy. Adequate literacy skills are of particular importance in enabling Australians to function effectively in a flexible labour force which can respond to changing workplace demands. This is especially so in a climate of growth in service industries and information and communication technologies.
- 1.69 Data on literacy levels is however limited, with the most recent national survey conducted in 1996 and future research proposed to be released for

2006-07. What we do know however, based on the 1996 survey results, is that almost half of Australians aged 15-74 have poor or very poor literacy skills and can be expected to experience difficulty using many of the printed materials they encounter in everyday life.

1.70 In addition, only one in three persons are considered to hold skills necessary to enable them to cope with the literacy demands of daily life and work, while just one in six possess what are considered to be good to very good literacy skills.^{xiii}

1.71 So how can vocational training policies respond to this changing environment?

1.72 If we accept that vocational training policies should help facilitate social and income equality, then there needs to be a stronger integration of industry, labour market, industrial relations and vocational training policies.

1.73 The trends towards non-standard forms of work in particular need to be considered within the context of the deregulation of industrial relations policies to the workplace level and reduced intervention within the labour market in both employment and training programs.

1.74 Training interventions should actively redress the lack of access to training by marginalised and disadvantaged groups of workers, in particular through ensuring industry and employers remain responsible for their training, and reducing the incidence of inappropriate use of casual and contract work.

1.75 Various responses to address equity issues and access to vocational training have been implemented in overseas countries and are under examination in Australia. They can be generally categorised in two broad groupings: first, interventions that are focused on individual access to the training market, and second, interventions focused on stimulating employer investment in training (see Chapter 4 for further discussion on industry training interventions).

1.76 In the first category, new programs designed to encourage individuals from under-represented groups or marginalised workers into training have included

the implementation of voucher systems, student loans and individual learning accounts to help encourage life long learning concepts.^{xiv}

- 1.77 However, these types of individual training interventions do little to redress marginalised workers already within the labour market. Within the Australian labour market, they would encourage further segregation of the workforce where industry funds training for its core workforce and others are expected to engage in training at their own or at government's expense.¹
- 1.78 Individual training interventions are therefore not supported as a viable option to improve skills development for Australian workers or industry. Instead, it is essential that government and industry parties seek to address the underlying problems within the labour market that have given rise to high levels of casualisation and contract style work, limiting their incidence to genuine situations of short term and cyclical demands, as well as adopting interventions to encourage greater industry investment in structured training outcomes leading to national qualifications.
- 1.79 In this regard, it should be noted that many of the overseas experiences of individual training interventions have been undertaken as part of a broader employment strategy where there are active labour market programs in place, as well as active partnerships between government, industry and unions designed to increase overall training effort.
- 1.80 A further issue that all parties need to come to agreement around are strategies to facilitate skills development within the context of Australia's rapidly ageing population. In particular, within an environment where future growth in vocational education and training has become more reliant on the existing workforce undertaking training and skills development.
- 1.81 This change in the age profile of the workforce has particular implications on the relative demand for entry-level training compared to the demand for upskilling and retraining and consequently on government expenditure on VET funding and directions.

¹ It should be noted that Australia continues to experience a significantly higher rate of casual employment than other OECD countries, largely in response to the deregulation of the industrial relations system in recent years.

- 1.82 Yet the paradox of this, is that to date public funding and expenditure continues to focus around delivery of industry training through traditional training entry pathways such as traineeships and apprenticeships with limited attention given to the retraining of the existing workforce. This will require the development of strategies between government, industry and unions to meet the current and future skill demands of industry in order to overcome the competitiveness and pressures inherent within individual enterprises.
- 1.83 Other issues that require attention include strategies to address skill mismatches and recruitment, attraction and retention issues, the decline in trade training, the decline of the youth labour market and employment opportunities for older workers, and ensuring adequate literacy levels for all of the population.
- 1.84 While the issue of skill mismatches is a complex one, better industry and regional planning is clearly a key. Industry policies that encourage industry development within regional and rural areas of Australia are required, including the development of integrated vocational training and labour market strategies.
- 1.85 One positive example of a collaborate approach between government, industry, unions and training providers to the development of skills for a particular region and associated industries is the current Queensland Government Central Queensland Training and Employment Strategy, developed in response to the multi-billion dollar industrial construction projects in Central Queensland.
- 1.86 The combined employment and training strategy aims to provide Queensland industry with enhanced access to training and skills development opportunities in the manufacturing and engineering industries.
- 1.87 Some examples of the strategy include an accelerated skills development program for trades based training, upskilling of existing workers, targeted training for employees of labour hire organisations, targeted upskilling of individuals with existing competencies, and an indigenous employment strategy. The Strategy combines funding from Government (approximately \$5.5 million), as well as training contributions from industry and has the

support of the State Government, industry, unions and training providers, particularly TAFEs.

- 1.88 Underlying the strategy is the joint funding commitment by government and industry, the involvement of all industry stakeholders in the development and implementation of the strategy and the linking of employment and training initiatives as part of a holistic strategy to address particular industry and regional needs.
- 1.89 Similar approaches should be facilitated in other areas where Government is prepared to take a more pro-active approach to intervening in identified skill shortage areas, whether they are within a particular industry and/or region.
- 1.90 In many other cases, employers experiencing skill shortages and retention issues have sought to address the issues industrially and on an individual employer basis, in some cases paying premium wages and conditions (for example, information technology workers) to combat world-wide or nation-wide shortages of specialised staff.
- 1.91 This will continue to be the case. However, while wages are one factor, without addressing other components such as the working environment, it should be recognised this is a bandaid solution where employers can only continue to compete by poaching existing skilled staff. Ultimately this approach will not resolve the industry shortage and underlying skills base.
- 1.92 These issues would be more appropriately addressed through structured industry planning and industry-union agreements around employment, training and industrial relations policies for individual industry sectors, such as the Central Queensland Employment and Training Strategy mentioned above.
- 1.93 Similar comments can be made in respect to the decline of trade training in industries such as manufacturing and construction. Unless an industry-union agreed approach is fostered and adopted, the competition of the market place will continue to override any enterprise specific initiatives and achievements.
- 1.94 This is also evidenced through the wholesale retrenchments of the 1980s and high profile corporate insolvencies in recent years where there has been no

forward industry planning in respect to workforce displacement or retraining needs. In most cases, individual employees have been simply expected to bear the costs of unemployment and retraining themselves.

- 1.95 Governments should assist with industry funding for retraining initiatives, in particular where advance notice is required of any major downturn with impact on staffing levels by corporations. This could be facilitated where requirements are introduced to give increased notice of potential redundancies and the provision of publicly funded retraining and employment assistance is given during the notice period.
- 1.96 A positive example of this type of approach can be found in the Worker Assistance Program of the Queensland Government, which provides some funding for displaced workers to undertake vocational training. This type of government initiative could be built on to ensure there are more collaborative approaches between government and industry to retrain workers who are for instance predicted to be displaced by technological changes or industry restructuring as a result of government policy changes such as privatisation and contracting out. This will require close cooperation between government, industry and unions to ensure proper planning processes are put in place.
- 1.97 Unemployment or intermittent employment has also established itself as a problem for both young people and older people since the 1980s. While this is largely the result of industry restructuring and subsequent business reorganisation, current public policy focuses only on providing subsidised short term employment (with little or no skills training) as well as limited vocational training places.
- 1.98 There is a pressing need to implement quality labour market retraining and vocational training programs linked to skills development within emerging industries and identified skills demand areas. Yet Australian Bureau of Statistics surveys of unmet demand for training reveal that in the last four years over 35,000 Australians on average have been turned away from TAFE each year.
- 1.99 It is also clear there needs to be a cultural shift within industry and the community that it is acceptable to employ both young people and older

workers, and to value their skills and worth to individual organisations, to industry and to the community as a whole.

- 1.100 This will only occur where Government actively engages with industry and the community through promotional activities as well as joint ventures that promote direct employment. Government as an employer can start by practising these policies, in particular to redress impending issues arising from its own increasingly ageing workforce.
- 1.101 Access to training particularly through TAFEs, is essential for all workers but is particularly so for those with poor literacy skills. The development of literacy skills for both the general population as well as within the workplace is also critical for both the future development of industry as well as maintaining social fairness, equity and cohesion for Australia.
- 1.102 In Australia, the general approach to improving literacy levels has been through embedding core competencies within National Training Packages, supplemented by improving literacy within the education system and adult literacy through voluntary community programs.
- 1.103 The focus on core competencies through the National Training Packages by itself however, has its limitations in particular with the majority of accredited training still focused on entry level with limited access of existing workers to structured industry training.
- 1.104 There are some positive examples of literacy programs however, being delivered in the workplace through the Workplace English Language and Literacy (WELL) program funded by the Commonwealth Department of Education, Science and Training.
- 1.105 In those WELL programs, in particular where unions have been active, workers have been given access to skills in the necessary language, literacy, numeracy and communication competence to perform their jobs more effectively and safely, as well as encouraging them to continue learning in both the workplace and personal environments.^{xv}

- 1.106 However, the incidence of effective workplace literacy programs across industry and all workplaces has been limited by the allocation of funding for the Commonwealth WELL program and the lack of focus on training programs for the existing workforce.
- 1.107 Given the need to shift the emphasis to structured industry training and skills development for existing workers, combined with ongoing industry concerns about 'employability' skills, a higher priority should be given to targeting of improving literacy within the workplace.
- 1.108 Lessons could be learnt from examples of overseas countries experiencing similar issues in this area. For instance, the United Kingdom has in recent years embarked on a national program to increase basic literacy skills for the general population. This program includes a strong focus on structured industry training, with public funding available for unions to support a Union Learning Representatives program to promote the uptake of literacy and vocational training in workplaces.
- 1.109 Union Learning Representatives are provided with training to help them encourage union members to undertake training and learning, negotiate training plans in the workplace, and in particular to assist those workers with literacy and numeracy problems by promoting basic skills programs in the workplace.
- 1.110 Importantly, this UK program recognises the integral role that unions play in workplaces through the promotion of collaborative union and employer training initiatives that benefit both the enterprise and the individual employee and leading to improved skills development for industry.
- 1.111 Under this program, 24 million pounds has been invested since 1998 in over 330 union led projects with 7 million pounds allocated for the 2001-02 period, including 1 million for basic skills work. The comparison with the existing Commonwealth Government WELL program is stark.
- 1.112 The ACTU believes that a similar system in Australian workplaces should be developed to promote and negotiate both basic training in literacy programs

as well as structured industry training based on competencies and qualifications available under national Training Packages.

1.113 With 1.9 million members Australia wide supported by 19,000 delegates and representatives in a vast array of workplaces, Union Learning Representatives are well placed to help provide access to the vocational education and training system working in partnership with employers, training organisations and communities to improve the skills of union members.

1.114 The ACTU therefore supports an increase in government funding to improve literacy levels within the workplace for existing workers through increased funding for the WELL program as well as additional funding for unions to support union learning representatives and associated workplace training programs to promote basic literacy and industry structured training.

Declining Structured Training Investment

- 4.1 It has been estimated that of all vocational training investment undertaken in Australia, 45 per cent is funded by governments, 45 per cent by industry and the remainder by individuals.² Commonwealth, state and territory governments currently spend around \$3.5 billion per annum on vocational education and training, with 85 per cent allocated to TAFE.
- 4.2 Along with a new seven year National Strategy (2004-2010), the current ANTA funding agreement (2000 to 2003) is due for renegotiation early to mid-2003. This is an opportune time to examine where current dollars are being invested in training and by whom, as well as ensuring greater clarity of the purpose of vocational training policies to ensure expenditure is assisting industry to the greatest degree.
- 4.3 Given the significant amount of expenditure in this area and the imperatives to promote skills development within the existing workforce, the ACTU is of the view there needs to be an additional increase given to the number of VET hours for traineeships and apprenticeships³, as well as additional funding allocated to assist industry with retraining of the existing workforce in structured industry training initiatives leading to national qualifications.
- 4.4 In addition, there needs to be greater investment of training expenditure in infrastructure that supports industry skills development. For instance, existing funding is provided for the development of industry or school-based Skills Centres. Additional funding assistance could be provided to assist targeted industries make the transition into leading edge technologies through investment in capital infrastructure, including better use of public-private partnerships. Building on the Skills Centre initiative, such arrangements could also include full or part financing for pooling arrangements between smaller enterprises utilising a multi-firm training centre structure and strategy.
- 4.5 In addition to significant public expenditure on training investment, there is also substantial investment by industry and individual employers with an

² Based on the 1996 ABS survey of employer training investment. New data is to be available in 2003.

³ Currently, only 15 per cent of all VET hours are currently taken up by apprentices and trainees.

estimated 60 per cent of employers engaging in some form of training. However, there is some evidence to suggest that overall investment in training has declined in recent years, particularly in the area of structured industry training, with a subsequent shift towards firm specific training.

- 4.6 Changes in the methods work is delivered and business reorganisation have also seen many employers withdrawing from structured training effort evidenced in industries such as manufacturing as well as the public sector which has not been duplicated elsewhere. ^{xvi} In addition, labour market deregulation has encouraged competition based on lower labour costs rather than skills and productive performance. There is simply no time for training in many workplaces.
- 4.7 Employers also increasingly hold expectations of employing existing skilled workers or of their existing workforce undertaking further training at their own or government expense, helping to accentuate the trend towards cost-shifting from employers to government, and from government and employers to the individual.
- 4.8 These trends have in part arisen from the abolition of the Training Guarantee Levy system in 1996, as well as the increasing effects of globalisation and pressures of competition arising from labour market deregulation that have forced the adoption of new organisational forms and the development of non standard forms of work.
- 4.9 Part of the implementation of the national training reform agenda in the early 1990s was the development of a nationally integrated system based around a nationally recognised training system, structures and products. This was to be accompanied by a government and industry commitment to training for the Australian workforce through significant investment in public infrastructure and funding, complemented by requirements on industry to provide industry training for the workforce (via the Training Guarantee Levy).
- 4.10 The abolition of the Training Guarantee Levy in 1996 reversed this strategy and signalled the withdrawal of active training interventions in the labour market. Since then the lack of public policy to promote employer investment in training has effectively shifted the debate to the level of funding that

government is investing versus the individual, to industry versus enterprise training.

4.11 These changes have significant implications for future skills and training. While employers have reduced their focus of training effort to a core of permanent and full time workers, often through the delivery of unstructured forms of training, casual, part time, labour hire and contract workers – the growing part of the labour force - are expected to increasingly undertake training at their own expense, or risk dropping through the system and remaining in low skill, low wage, intermittent work.^{xvii} At the same time, there also remain continuing and emerging skill shortages within specific occupations and industries.

4.12 So how do we address these issues?

4.13 Examples of industry interventions to encourage industry training are already in place in many overseas countries as well as previous and current examples within Australia. These have ranged from levy systems on enterprises or industries accompanied by public grants, establishment of training funds, and various incentives for training and learning such as tax rebates, training credits, training awards, individual training accounts, and collective and individual training rights.

4.14 Other examples of industry training interventions have included pooling of funds negotiated at a bipartite level through union-employer agreements, either at a workplace, multi-workplace or industry level. Under these arrangements, a percentage of payroll has been collected to fund industry training initiatives, including financing of infrastructure to support skills development that is used in a resource-sharing/pooling arrangement.

4.15 Of note, is that in some countries revenues collected through levy systems are used to generate workplace or enterprise training plans rather than focusing on individual training effort. In Singapore, the Skills Development Fund (SDF) runs a disbursement scheme that has also been highly successful in raising levels of training investment in enterprises.

- 4.16 The Skills Development Fund has been established to help encourage the development of higher-level skills to support economic restructuring and knowledge-intensive industries, by collecting a levy and providing individual employers with grants for approved training programs for the enterprise.
- 4.17 In addition, as an incentive for enterprises to upgrade their workers' skills, the levy is imposed on the wages of low skilled workers earning less than a set amount each month (variable dependent on revenue raised and training delivered annually). It also gives financial incentives to workers who are prepared to join the workforce and those re-entering the workforce.
- 4.18 In other countries, skills development has also been encouraged through collective agreements at a national, sectoral or industry wide basis reached between employers and unions. Often these have included special training-related clauses and provide for the creation of sectoral and regional training funds.
- 4.19 Voluntary training agreements have been established in countries such as Belgium, Denmark, France, the Netherlands and Sweden. These agreements have established training funds which are bipartite managed, providing for joint fund management by workers and employers, including cost-sharing arrangements between enterprises such as the establishment of multi-firm training centres, and giving employers and workers direct initiative and control over training.^{xviii}
- 4.20 These strategies should be examined within an Australian context, in particular as mechanisms to deliver more equitable industry based training and also to redress marginalised groups of workers and the general population. At an industry level, employers and unions should examine the advantages of employer/industry levies, industry partnerships, resource pooling (including appropriate use of group training) and other incentives, and implement agreed initiatives to lift structured training within individual industries.
- 4.21 In addition, consideration should be given to tax credits or rebates for enterprises that engage in industry based training leading to national qualifications in the context of agreed workplace training plans.

- 4.22 All options however should include agreement to strategies to deliver more equitable training for full time, part time and casual employees, as well as labour hire and contract workers.
- 4.23 Similar strategies and approaches were more prevalent a decade ago, but have since fallen off the training and industrial agenda for many parties, particularly with the deregulation of industrial relations to the workplace level. See for instance the previous approach adopted in the early 1990s in the metals and engineering industries which had bipartite support through the award restructuring processes and early enterprise bargaining agreements.⁴
- 4.24 Experience could also be drawn from other examples of industry intervention to generate industry wide training. The most prevalent is the industry training levy in the building and construction industries in the majority of states and territories, where a percentage of the total value of a construction project is collected to help fund training initiatives for that industry.
- 4.25 There are also a number of states that administer training policies during tenders for government construction projects, ensuring that a percentage of work undertaken per project is dedicated to the employment of trainees, apprentices and cadets.
- 4.26 Both of these examples illustrate the success of such an industry approach to ensuring quality training outcomes within an industry characterised by a high level of contractor, intermittent style work.
- 4.27 Similar approaches should be adopted by both government and major employers to secure higher training investment in particular industry sectors through the adoption of code of practices, in particular where there is a supply-chain system or sub-contracting arrangements in place, such as in the building and construction or textile and garment industries.
- 4.28 All businesses tendering for Government work should also be required to include specific quotas for industry based training. In addition, governments should take more responsibility for training investment where significant

capital is invested in public utilities. For instance, governments should require the allocation of funding towards industry training initiatives where energy or other significant infrastructure policies dictate the upgrading of technologies. In addition, Commonwealth, state and territory governments should introduce requirements for all providers of services covered by government regulation to invest in structured industry training.

⁴ Since then however, the shift towards industrial relations at the workplace level has reduced and limited the ability to implement industry training strategies through the award system.

User Choice & its impact on the delivery of quality training outcomes

- 1.115 Along with the withdrawal of active training interventions within the labour market and the introduction of the New Apprenticeship system, since the mid to late 1990s a number of structural and institutional reforms have been implemented, including mutual recognition of training providers across state borders, and the introduction of user choice funding for both public and private training providers to deliver apprenticeships and traineeships available under national Training Packages.
- 1.116 These reforms were part of a deliberate strategy to shift the focus of vocational training from a supply to demand driven market through increasing the flexibility of the training market. Under the User Choice model adopted by the ANTA Ministerial Council in 1996, VET funds were to flow directly from states and territories to the training provider, ostensibly reflecting the choice made by the employer and trainee⁵, and to encourage a direct market relationship between employers and individual training providers.
- 1.117 While the implementation of user choice funding models across states and territories has varied considerably, there have been across the board concerns continuing to be expressed about the impact of the funding model on the ongoing viability of the public provider TAFE, accountability concerns with public expenditure by private providers, and fundamental concerns about the lack of quality of training provided by many private training providers who have been accessing user choice funding.
- 1.118 As noted in the Senate Committee Report of 2000, Queensland, Victoria and Tasmania froze User Choice funding at 1998 or 1999 levels pending further examination of its impact on the local training market and particularly on the viability of TAFE as the public provider. The Senate Committee itself recommended a user choice moratorium while these matters were investigated further.^{xix} It is then of some concern that the same issues continue to surface in relation to the user choice model.

⁵ This assumes a level playing field between employers and apprentices and trainees. In practice, apprentices and trainees have had little say or influence.

- 1.119 The first real inquiry into quality of training issues and the impact of user choice on the training system occurred in Queensland in 1999. The subsequent Schofield Report found many registered training organisations were failing to provide any training to contracted trainees, in particular through fully on the job traineeships, and identified further concerns with providers in some cases breaching user choice contracts involving the inappropriate use of traineeships for existing workers.^{xx} Schofield subsequently undertook similar inquiries in Tasmania and Victoria making similar conclusions.
- 1.120 In 2000, specific research was then undertaken in Queensland into the effects of user choice, where Smith concluded that while there is strong support among employers and training providers for the user choice system, that the evidence continued to suggest that the training outcomes under the user choice model were of highly variable and dubious quality, particularly where fully on the job training arrangements were in place.^{xxi}
- 1.121 A number of states have also remained concerned about the effects of user choice on the public provider TAFE, in particular citing evidence of continuing thin markets in regional and rural areas not well serviced by user choice. The effects of user choice on ongoing training infrastructure also needs to be considered where significant public investment has eroded as a direct result of competition. Other concerns with the user choice model include the ability of trainees and apprentices to effectively influence the quality of training provided.
- 1.122 A further flaw of the user choice model that has been suggested is the notion of individual employers having optimum choice of training provider to suit the needs of their enterprise particularly in existing thin market areas and where there is potential for market capture by both public and private providers, particularly in regional and specialised areas.^{xxii}
- 1.123 There are also many instances where public providers are in direct competition with each other accessing user choice contracts across state borders. While the principles of providers being able to provide training across state borders is supported, the purpose of public providers in direct competition with each other is highly questionable.

- 1.124 This is particularly so in an environment where a range of vocational training needs are continuing to be not met in the areas of equity and access to training for people with a disability, indigenous persons and other disadvantaged persons within the labour market and population. In this case, user choice has narrowed the base of vocational training available for those most in need of quality vocational training.
- 1.125 In addition, the influence of user choice arrangements on the role of both New Apprenticeship Centres and registered training organisations has been called in to question, where in many cases training products are continuing to be marketed from a financial aspect only, minimising training obligations and maximising financial gain.^{xxiii}
- 1.126 Within this environment, the ACTU considers that the effect of the user choice policy has been to strengthen a training institutional driven market rather than an industry led system, at the same time as it has undermined the strength and viability of the public provider, TAFE.
- 1.127 Recently, the Australian Chamber of Commerce and Industry (ACCI) has called for the states to fully implement the principles of the original user choice policy, citing concerns that employers may begin to withdraw from engagement in training if their role and influence is diminished by what are perceived as barriers introduced by the states to accessing further funding under the user choice model.^{xxiv} However, it should be noted this is not a universal view from all of industry or employers, nor from the ACTU.
- 1.128 Essentially, the ACCI see the user choice policy as the mechanism through which employers have the most ability to influence training delivery, in particular through the development of customised training to suit the individual workplace.
- 1.129 The ACTU takes a different approach to the user choice system, viewing it as a vehicle for funding arrangements for the delivery of structured industry training with some element of competition available between providers. It does this principally through introducing contestability and flexibility within the training market.

- 1.130 The ACTU believes that rather than targeting the user choice model as the mechanism to access additional industry funding (including enterprise based training), that governments should provide increased industry structured training in particular for training programs for the existing workforce under the framework of national Training Packages.
- 1.131 In this way, the issue of access to customised training would also be better addressed through the development of workplace training plans and delivery of structured industry training and national qualifications within the context of national Training Packages.
- 1.132 This would also ensure greater bipartite arrangements with employers, unions and workers able to jointly have input and agreement about vocational training needs for their particular workplace, including choice of provider.

The Effectiveness of the New Apprenticeship System

6.1 With the abolition of Commonwealth labour market programs, the amalgamation of apprenticeship and traineeship training into New Apprenticeships, and the opening up of the New Apprenticeship system to on the job traineeships and existing workers, the objectives of the traineeship system (originally developed as entry level training pathways for young people) have become increasingly blurred.

6.2 Traineeships in particular have come to service multiple and even sometimes conflicting purposes. As put by one commentator, they have been used as an initial training program for young people, an employment program, a training and skills recognition scheme for existing workers, and in some cases a de facto source of wages subsidies to firms with little or no structured training provided.^{xxv}

6.3 As a result of many of these changes, new apprenticeship numbers have increased from around 160,000 to 360,000 over the past decade. The strongest growth however occurred after 1998 with the introduction of the New Apprenticeship system when the numbers in training increased from around 220,000 to their current figure – a sixty per cent increase, or more than 140,000 additional new apprentices during this time.^{xxvi} Of all new apprentices however, growth has occurred principally in the traineeship area with traditional apprenticeships accounting for approximately 140,000 training contracts in the system (just less than forty per cent of all apprentices and trainees).^{xxvii}

6.4 And while the increase in training numbers is positive in the sense that more people are getting access to formal training across a wider range of occupations and industries than ever before, caution needs to be exercised given the underlying decline of many trades based apprenticeships, the shift towards lower skill level traineeships (in particular within some occupations), the delivery of fully on the job traineeships and the inclusion of existing workers within the data, combining to create high levels of artificial growth.

6.5 For instance, while official NCVET statistics conclude that around sixty per cent of new apprentice commencements are at AQF Level 3, after excluding new apprentice and trainee commencements in the trades and related occupational

areas, eighty eight per cent of all trainees are found in lesser skilled occupations undertaking an AQF Level 2 training qualification.^{xxviii}

6.6 In addition, almost half of new apprentices are now made up of older and existing workers. Just over a quarter of commencing apprentices and trainees are aged 25 to 39 years, while 18 per cent are 40 years and over.^{xxix}

6.7 And while completion rates for apprentices are relatively high when compared to other forms of education and training (around three-quarters of apprentices actually complete their training), traineeship completion is of concern, with only 55 per cent of trainees completing their traineeship (accounting for a drop out of approximately 77,000 persons from traineeships during 2001).^{xxx} This high rate of attrition is of concern, in particular about whether the current traineeship model is suitable for the development of industry skills, or indeed in meeting industry and trainee needs.

6.8 Of even more concern, is the expenditure through Commonwealth incentives for employers for engaging trainees, in addition to the significant amounts of user choice funding provided to registered training organisations. For instance, based on DEST expenditure for 2001-02 on Commonwealth incentives for employers (approximately \$364 million), around \$156 million is being paid to employers for trainees who do not complete their traineeship, compared to \$36.4 million for apprentices who are not completing their apprenticeship.^{xxxi 6}

6.9 Of particular note is the high rate of attrition during the early months of the training contract. Of the fifty five per cent of trainees who terminate their training agreement before its completion, almost 40 per cent is occurring within the first three months, and around 70 per cent before the end of six months.^{xxxii}

6.10 The most comprehensive research conducted thus far into the rates of non-completion of traineeships was by DETYA in 1999.^{xxxiii} This analysis also confirms that the non-completion rate of traineeships is highest in the early months, with some 12 per cent of non-completers leaving in the first month, up to 40 per cent within the first three months, and half of all non-completers finishing by four months into their traineeship.

- 6.11 The rate of separation also varied by traineeship type, different educational levels and within different age brackets, with traineeships exhibiting above average rates of voluntary separation including hospitality/tourism (60 per cent), retail (58 per cent), office/clerical/admin (57 per cent), and automotive (57 per cent). As well, over three-quarters of non-completers aged over 25 years were found in the clerical, sales, service and labouring occupational groups, again raising questions about the quality and use of some lower level skill traineeships, and adding to the argument that many traineeships have been used as a wages subsidy by employers.^{xxxiv}
- 6.12 Reasons cited by trainees for voluntary separation included lack of and poor quality training, poor working conditions and workplace relations, and low wages. Many trainees reported the view they were being used as a simple method of cheap labour.^{xxxv}
- 6.13 Concerns have also been expressed about the capacity of the New Apprenticeship model to provide for quality traineeships within the context of fully on the job training arrangements in both AQF Levels 2 and 3. Among others, Schofield in her investigations into quality training issues confirmed evidence of abuse of lower level traineeships, in particular through the use of fully on the job traineeships, and also through the use of incentives to subsidise recognition of current competencies towards qualifications for existing workers.^{xxxvi}
- 6.14 Schofield speculated that as many as 20 per cent of all traineeships were questionable in value, where she considered the traineeship program was simply reinforcing existing skills and knowledge rather than extending them. In addition, concerns were raised about whether skills were being properly assessed and qualifications validly issued for some elements of AQF Levels 2 and 3 with fully on the job training.^{xxxvii}
- 6.15 It is particularly concerning then that recent media reports have confirmed ongoing practices and irregularities, particularly in the area of on the job training. For instance, examples have been cited of employers shifting all employees onto low level skill traineeships (with wholly on the job training), facilitated by a New Apprenticeship Centre.^{xxxviii}

⁶ Note: Estimates based on a 60:40 ratio for trainees/apprentices & a non-completion rate of 55% for

- 6.16 Other examples include instances where all new staff are employed on traineeships regardless of their industry experience or existing skills, and casual or part time staff being placed on traineeships when they have no commitment to a long term career within that workplace or industry.^{xxxix}
- 6.17 A further issue that has been attributed to the high termination rate of traineeships as well as reduced quality of training, has arisen from the interaction of the New Apprenticeship system with existing workplace and industrial relations systems of the Commonwealth and states.
- 6.18 When unfair dismissal laws were implemented in the early 1990s, exemptions from the laws included trainees and apprentices. However, these exemptions were drafted in an environment where training contracts could not be terminated except with the approval of state training authorities which had separate disciplinary and disputes procedures to the industrial relations system.
- 6.19 Since then the majority of states have amended their requirements to allow for the termination of a training contract without the approval of the state training authority with the end result that many trainees have no recourse to unfair dismissal. This is of particular concern given the termination of training contracts for trainees is around 55 per cent, and of this 45 per cent is involuntary.^{xi}
- 6.20 In all these instances, employers are able to receive financial incentives for each trainee signed on and are also able to pay the “trainee” reduced training wages. In some states as well, the employer is also able to receive workers’ compensation and payroll tax exemptions, resulting in significant financial incentives for some employers, in some case with little or no tangible training outcomes. There are clearly no stringent `quality control mechanisms in place to look at access to incentive payments by offending employers, or for user choice payments to registered training organisations when these instances occur.
- 6.21 These issues also have serious connotations for industry skills formation. The bottom line is the New Apprenticeship system is being driven by numbers and access of training institutions and some employers to the public dollar. Not by public policy or industry skill needs.

trainees and 25% for apprentices.

6.22 The alleged misuse of traineeships was recently discussed at the ANTA MINCO meeting of November 2003 where Ministers agreed to request the ANTA Board through the National Training Quality Council (NTQC) and in consultation with ANTA CEO's, to review potential risk areas and recommend actions to further improve quality assurance measures as a result of the SBS Insight program which exposed continuing allegations of abuses of the system in August 2002.^{xli}

6.23 Ministers also agreed that consultation should include reference to the Department of Education, Science and Training and State Training Authorities on the issues concerning incentives and New Apprenticeship recruitment arrangements, working with industry on issues concerning franchise operations. A Working Group is in the process of being established.

6.24 It should be noted in this regard that there have already been some changes to incentive systems by states as a result of these issues. The Commonwealth Government also initiated a review of Commonwealth New Apprenticeships Incentives Program in 2002 with new guidelines to commence from July 2003.

6.25 Under these guidelines, incentives have been reconfigured to include higher incentive payments for AQF Levels 3 and 4 and payments have been redistributed to include 20 per cent of payment on commencement and 80 per cent on completion. Additional payments have also been made available for disadvantaged mature age workers who are welfare dependent, those returning to the workforce, or those made redundant.

6.26 However, as stated previously the continuation of financial incentives to lower level skill traineeships, including existing workers and those with fully on the job training should be eradicated. There is also a need to align the objectives of both Commonwealth and state incentive schemes and overcome inconsistencies.

6.27 In light of these issues, how do we improve the New Apprenticeship system?

Improving quality through national consistency:

6.28 There is an urgent need for more collaborative approaches between the Commonwealth, states, employers and unions to ensure that training agreements/contracts for apprentices and trainees are observed and implemented and in particular that training plans are in place prior to payment of incentives.

6.29 As well, there need to be quality control mechanisms put in place to vet those employers and registered training organisations that continually misuse the system as cited in the SBS Insight program referred to above.

6.30 There also needs to be greater national consistency to ensure apprentices and trainees are not unfairly treated or dismissed.

6.31 In this regard, reform is required in respect of both federal and state industrial and workplace relations laws to remove exemptions from unfair dismissal laws, and to limit the use of casual and contract work to genuine short term and cyclical demands.

The creation of a dual training strategy – Entry level and existing workers:

6.32 The new national training system has been designed to ensure that all workers, including new entrants and existing workers, are able to access national qualifications through national Training Packages. However, industry and employers have been influenced in their behaviour and training patterns by the availability of financial incentives and public policies.

6.33 With no specific public funding available to help train or recognise current competencies for existing workers, it is estimated that between \$80-\$100 million per annum in incentives are currently paid to employers for training of existing workers through the Commonwealth Financial Incentives for New Apprentices.⁷

6.34 This does not include VET expenditure to registered training organisations through the user choice system, which could also mean up to a further \$250

⁷ Based on the conservative estimate that existing workers comprise 20-25% of New Apprentices.

million is paid to train existing workers (in many cases workers who already have current competencies but are seeking recognition towards national qualifications).

6.35 The ACTU continues to support traineeships and apprenticeships where they deliver quality training for new entrants and re-entrants to the labour market, in particular for young people. The ACTU also supports public funding towards structured industry training outcomes for the existing workforce, including specific incentives for employers and registered training organisations to recognise and undertake assessment of current competencies of their workforce.

6.36 This could be supported by the identified \$350 million funding already expended by the Commonwealth, states and territories on existing workers.⁸ An alternative approach is to provide dollar for dollar funding for those industries and occupations considered a priority in terms of skills development.

6.37 Both funding options and incentive payments however, should be directly linked to the identification of future training needs and agreed industry or workplace training plans. It is considered that a separate additional government funding allocation in this area would also help to leverage greater employer investment toward industry structured training through the establishment of clear program outcomes.

6.38 This could also involve strategic partnerships with industry using group training companies and registered training organisations, particularly TAFEs to undertake skills audits and projected skills needs, develop training plans and implement quality assessment processes. Adequate additional financial incentives are needed to resource this approach.

6.39 Further changes are also advocated with respect to existing government incentives for existing workers, by excluding employers from accessing financial incentives for existing workers on New Apprenticeships other than for AQF 3 & 4 qualifications in agreed skill shortage areas and linking payment of any up-front incentive to the completion of a probationary period.

⁸ VET expenditure through user choice & Commonwealth employer incentives.

On the job traineeships:

6.40 Given the ongoing concerns about the relevance and quality of many fully on the job traineeships, the ACTU also believes tighter controls are required to ensure better accountability of public funding. In this context, the ACTU supports the removal of incentives for fully on the job traineeships at the AQF Level 2 & 3 levels, except where this relates to targeted and agreed skills shortage areas.

6.41 In addition, stricter quality controls should be placed on those registered training organisations that continually offer and provide on the job traineeships.

Apprenticeships:

6.42 The ACTU also believes that in light of continuing skills shortages in apprenticeship based training and overall declining numbers of new entrants in many trades areas, that there needs to be additional incentives for trade based apprenticeships provided.

6.43 Currently, there is no differentiation between incentives provided for traineeships and apprenticeships (other than variants between AQF Levels), which are needed in particular to recognise the costs of training involved with apprenticeships versus shorter traineeships, and to encourage a higher uptake of apprenticeships.

6.44 The ACTU therefore proposes the adoption of an annual incentive linked to completion of competencies for apprenticeships, as well as an increase in the amount of incentives provided to apprenticeships in comparison to traineeships.

6.45 Other initiatives which should be examined include greater public funding arrangements for pre-vocational training as a preparatory pathway to apprenticeships and accelerated trades training where agreed with industry and unions, as well as further investment in industry training centres, including training infrastructure resources to deliver apprenticeship training.

6.46 Examination is also required of the existing qualification level of apprenticeship outcomes in comparison to other traineeships which are currently

assessed at the same level, as well as redressing inequities between apprentice's and trainee's wages arrangements under the award safety net.

Other:

6.47 Given the effects of deregulation of the labour market such as casualisation, the development of core and peripheral workforces and the encouragement of a more mobile labour force, incentives or public funding to encourage industry based training should also increasingly be directed at a collective level rather than individual employers, for example initiatives supported by group schemes, registered training organisations and industry, union and other stakeholder collaborations.

Industry Leadership and Strategic Advice

- 1.133 Part of the success of moving to a national training system has been the strong tripartite support from industry, unions and government. In the early 1990s, this was evidenced through the establishment of the Australian National Training Authority (ANTA) to oversee the implementation of the national training reform agenda, supported by strong tripartite industry advisory structures established through the industry training advisory bodies (national and state levels).
- 1.134 These structures were to help shift what had been viewed as a state based supply driven training market toward a national industry led training system that could respond quickly and effectively to meet the needs of Australian industry skill demands. Of critical importance, was the tripartite support for the system which helped to drive changes both to training institutions, structural reforms and provided industrial support for the new training products.
- 1.135 However, a decade onwards there remain national inconsistencies within the training system as well as ongoing quality issues with training outcomes. Many of these inconsistencies have arisen due to quality issues associated with the rapid growth of private providers within the system and the Commonwealth incentives which have continued to drive artificial increases within the New Apprenticeship system.
- 1.136 And while many states have moved to try to rectify some of the quality issues arising from the growth in new apprentices, industry has limited influence over the outcomes. For instance, there are still critics of the auditing processes of registered training organisations adopted by states, in particular that the focus is upon processes and procedures of the organisation, rather than on actual training outcomes.
- 1.137 In addition, there is further criticism that approval processes do not pay enough regard to the experience of providers within particular industries or occupations (this is contributed to by the lack of supporting material/curriculum to underpin existing training packages). In this regard, it is strongly suggested that there should be direct industry involvement in the

approval processes of registered training organisations to provide an additional quality check.

- 1.138 The lack of consistency between states and territories about training contracts, registration procedures for training providers, and the application of national Training Packages is also considered problematic for users of the system. It is noted however, that Ministers agreed at the ANTA MINCO meeting of November 2002 to introduce template legislation which it is hoped will go some way to addressing these issues.
- 1.139 The lack of an industry focus on structured training investment continues to be of concern (this is addressed previously in this submission), and it is recommended that industry training funds and other initiatives focused at the industry level will help to ensure the system becomes more industry focused.
- 1.140 However, of most concern are the recent moves to actively undermine and reduce the role and influence of unions within the national training system. Over the past decade, Industry Training Advisory Bodies (at both a national and state level) have been expected, within limited financial constraints, to provide strategic advice and input into strategies to meet industry skills needs and demands.
- 1.141 More recently, they have been instrumental in the development of national Training Packages within their specific industry sectors. However, the abolition of Commonwealth funding to state ITABs in 2002 has effectively undermined effective industry input through these bodies, with the majority of states totally disbanding the structures.
- 1.142 In addition, funding for national ITABs has been reduced and as a result ITABs have been operating within a restrictive financial operating environment for some time focusing principally on the development and implementation of national Training Packages. Within this environment, critical industry advice and knowledge has been excluded in many cases from the process. This has occurred at the same time as the 2002-03 Budget

provided \$36.667 million for national program funding, including for industry training advisory bodies.⁹

1.143 After a number of reviews of ITAB structures in recent years, ANTA are now currently in the process of consultation with industry parties to look at alternate national strategic planning and industry advisory arrangements. Proposals that have thus far been floated include the creation of eight industry skill councils formed from a reduction and amalgamation of the existing ITABs which appear to be driven to fit within existing financial constraints ie, industry stakeholders could have six, eight or ten skills councils but the same amount of funding will be provided to support them regardless.

1.144 ANTA also propose to revamp the industry advice processes, creating a specialised research capacity within ANTA with industry consultation to occur with major employer organisations, the ACTU and leaders of the proposed industry skill councils.

1.145 At the same time, there have been moves in recent years to sideline unions directly from involvement in identifying skills shortages and skills development initiatives through the establishment of the National Industry Skills Initiative by the Department of Education, Science and Training. This Initiative commenced in 1999 to investigate and propose steps to redress industry skills shortages within a number of industries.

1.146 Progress reports to date have highlighted initiatives such as:

- Expansion of pathways into New Apprenticeships
- Industry studies into employer engagement in the New Apprenticeship system
- More flexible training delivery arrangements
- Development of careers related information and marketing
- Research into employer engagement of New Apprentices within specific industries.¹⁰

⁹ ANTA National Program Funding includes equity development and training innovation (including adult and community education), industry training advisory bodies, training package development and group training. See: Department of Education, Science and Training *Agency Budget Statement 2002-03*.

- 1.147 While these initiatives may have merit, they are proposals that should fall within the purview of ITABs. In many cases the recommended NISI industry strategies have merely replicated existing research and industry analysis. No work has been undertaken in respect of future forecasting of industry skills needs or emerging industries.
- 1.148 The exclusion of unions indicates a substantial weakening of the national training system and existing advisory arrangements. The fact that ANTA are not directly involved or driving the process would also indicate a separation of training product development from industry policy and labour market projection within Government, which has serious implications for industry skills development.
- 1.149 This runs the risk of the national training system operating in isolation from industry and without industry and union support. It is also a further example of the lack of integration of broad industry, labour market, vocational training and industrial relations policies that already exists across government.
- 1.150 With respect to the current ITAB review, the ACTU is proposing that the following guiding principles be applied to ensure an industry acceptable outcome:
- (a) opposition to any forced amalgamations of ITABs;
 - (b) acknowledgment that there are some ITABs which may no longer be viable or which may wish to amalgamate with others, with a preparedness to consider alternate proposals;
 - (c) rejection of the move towards ANTA and Governments bypassing the ITABs and the trade unions and seeking and funding direct advice from employers and employer organisations;
 - (d) seeking urgent improvement in funding for the ITAB network. The proposals for rationalisation are largely driven by the fact that funding for ITABs has effectively been halved due to the cut to State ITAB funding and the diversion of funds to support forecasting data and links to Cooperative Research Centres;

¹⁰ See the Department of Education, Science & Training National Industry Skills Initiative, <http://www.skillsinitiative.gov.au/>

(e) agreement that the role of ITABs should be expanded to meet current requirements; and

(f) support for initiatives for links with Cooperative Research Centres, innovation, research and development, as well as improved labour market and training demand forecasting and appropriate consultative forums to inform this work.

1.151 Within such parameters, ITABs or resultant industry skills councils should be expanded (and supported by increased resources) to address the following points:

- There are still significant problems with Training Package implementation. One factor in this is the lack of partnership between industry and providers in respect to the assessment and delivery issues. The ITABs role in respect to assessment and delivery (curriculum) issues should be strengthened.
- Recognition of existing skills and training of the existing workforce have not spread adequately. The key barriers to this are the costs associated with assessment for recognition of current competencies, the lack of incentives for such assessments and the development of future training plans by both registered training organisations and employers, the increase in casual and contract labour, and the culture of productivity through work intensification rather than skill development. ITABs must have a role in this through the development and management of industry assessment schemes which promote RCC and training plan development in partnership with registered training organisations.
- ITABs must have a role in the development of cooperative arrangements between firms and with training providers which can deal with the limitations of exposure to skills in particular enterprises, and with casual and contract labour mobility.
- ITABs should have a role in the development of mechanisms to achieve greater and more equitable employer contribution to training effort through the administration of a training levy, industry training funds or tax credit schemes.
- ITABs should have a role in development of training plans to deal with industry restructuring and pending redundancy.
- ITABs should be adequately resourced to support better skills and labour market forecasting in their industries.

- 1.152 Within this context, the ACTU accepts and supports that ANTA should play a role in relation to strategic industry planning but within the parameters outlined above. ANTA can not undertake this function without industry support and critical industry input (employers and unions).
- 1.153 In summary, the ACTU supports the continuation of ongoing industry advisory body structures that are appropriately resourced by government to provide both training resources for industry and to facilitate proper strategic advice about industry skills supply and demand issues.

- ⁱ Australian Bureau of Statistics (December 2002), *Labour Force Australia*, Catalogue No. 6202.0, ABS, Canberra.
- ⁱⁱ Australian Bureau of Statistics (2000), *Australian Social Trends*, Catalogue No. 4102.0, ABS, Canberra.
- ⁱⁱⁱ Vandenneuvel, A. & Wooden, M. (1995) *Self-Employed Contractors in Australia: How Many and Who Are They?*, 37 *Journal of Industrial Relations*, pp.263-280.
- ^{iv} Australian Bureau of Statistics, *Forms of Employment*, Catalogue No. 6359, ABS, Canberra.
- ^v Borland, J. Gregory, B & Sheehan, P. (2001) *Work Rich, Work Poor Inequality and economic change in Australia*, Centre for Strategic Economic Studies, pp. 11-12.
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- ^{vii} NCVER *Issues affecting skill demand and supply in Australia's education and training sector* (2001), ANTA.
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- ^{ix} Morehead, A. Steel, M. Alexander, M. Stephen, K & Duffin L. (1997) *Changes at Work: The 1995 Australian Workplace Industrial Relations Survey*, South Melbourne, pp.46-47.
- ^x Watson, I. Australian Centre for Industrial Relations Research & Training University of Sydney (July 2000). *Earnings, employment benefits and industrial coverage in Victoria: A Report to the Victorian Industrial Relations Taskforce*, Vol. 1.
- ^{xi} See Australian Chamber of Commerce and Industry (2000) *A Cure for the Common Cold – Ways to Address Skills Shortages*.
- ^{xii} Ibid.
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- ^{xv} Refer CFMEU Victorian Branch and the TCFUA case studies at <http://www.dest.gov.au/ty/well/casestudies.htm>.
- ^{xvi} Buchanan, J. Evesson, J & Briggs, C. (November 2002), *Victorian Learning & Employment Skills Commission, Renewing the Capacity for Skills Formation*, State of Victoria.
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- ^{xviii} Ibid.
- ^{xix} Employment, Workplace Relations, Small Business and Education Committee (2000), *Aspiring to Excellence: Report of the Inquiry into the Quality of Vocational Education and Training Australia report*.
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- ^{xxiii} Ibid.
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- ^{xxv} Schofield, K (1999).
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- ^{xxxii} NCVER (2001).
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^{xxxv} DETYA (1999).

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^{xxxvii} Ibid.

^{xxxviii} INSIGHT (August 29, 2002), *Learning the Hard Way*, SBS; The 7.30 Report (December 2002),

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^{xxxix} Ibid.

^{xl} NCVER (2001).

^{xli} Refer ANTA CEO letter to the ACTU dated 8 January 2003.