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AUSTRALIAN MANUFACTURING WORKERS' UNION

SUBMISSION

TO:

SENATE EMPLOYMENT WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

CURRENT AND FUTURE SKILLS NEEDS ENQUIRY

20th February, 2003

International evidence, including evidence from Australia, shows that quality vocational education and training can significantly improve job security, career prospects and income for individual workers, can be a significant element in improved productive performance and international competitiveness for companies and industry sectors, and can be a significant element in improving equity and removing regional disadvantage and achieving an effective social transition where industry is restructuring.

However, what the international evidence also demonstrates is that the positive effects of an effective vocational education and training system are not achieved through vocational education and training policy training alone. Positive effects are achieved through a synergistic relationship between vocational education and training policy, labour market policy and regulation, and industry policy.

In this context, the AMWU argues that Australia clearly faces some very significant problems including:

A dramatic decline in our balance of trade in elaborately transformed manufactured products. Those economies which have a strong base in the production of elaborately transformed manufactured products are those countries with more stable economies and better living standards. Although exports of elaborately transformed manufacturers have increased, this increase has been overshadowed by the dramatic increase in imports.

Significant and ongoing skill shortages, particularly in areas of traditional trades and in specific regional areas.

Growing levels of income in-equality, particularly on a regional basis.

Persistent levels of high unemployment, particularly in regional areas and amongst younger persons.

A dramatic growth in forms of non standard, precarious employment, particularly casual and contract work. Between 1982 and 2002 casual employment more than doubled to 27.3% of the workforce. The increase in casual employment accounted for ¾ of all jobs growth and 90% of these jobs were low paid earning - less than $500.00 pw.

Decreasing job security with increased levels of involuntary job mobility.

Declining levels of employer investment in vocational education and training, particularly vocational education and training that leads to portable national qualifications.

Decline in enrolments and course offerings in the post-trade and para-professional levels in key skill areas such as engineering.

It is quite clear that an underlying cause of these problems is the lack of any effective coordinated policy which links vocational education and training, labour market, and industry policy.

Current policy settings focus on allowing market forces to determine the direction of vocational education and training. This is clearly an inadequate driver of high-skills, high-wage outcomes. Labour market and industry policy settings run totally counter to those necessary to promote a positive vocational education and training system.

Labour market policy and industrial relations legislative reform has:

Encouraged competition between firms on the basis of lower unit labour costs rather than on the basis of improved productive performance.

Encouraged fragmented bargaining rather than cooperative and negotiated arrangements at an industry level to promote balanced development, skills upgrading, new forms of work organisation, diffusion of new technology, and other strategies for jobs growth and industry development.

Increased the attractiveness of precarious forms of employment such as casual employment and contract work for firms as a method of avoiding proper labour standards. The extent to which the use of causal and contract employment can be used to by-pass leave, employment security, taxation and other protections is much greater than in most other OECD countries.

In respect of industry policy again the policy settings are inconsistent with the requirements for an effective national vocation education and training system. The Australian government now exercises very little intervention in the path of economic and industry development.

Compared to other OECD countries we make little attempt to regulate the development of key sectors, little attempt to protect developing sections from unreasonable competition, little attempt to properly intergrate and encourage research and development and related training, and little attempt to promote and assist clustering by firms to promote development in industry but in particular emerging industry sectors.

As various studies show, e.g., HATCH Engineering (Heavy Engineering Industry Reference Group, QLD), Supply Chain partnering is the way that many firms are effectively spreading the risk of major projects and also major innovations in manufacturing. Without Government intervention, these supply chains are likely to be developed without the involvement of Australian firms

An effective policy to deal with the issues of skills shortage and proper policies for the identification of future skills needs requires a fundamental change of approach to ensure that regulation and assistance in the areas of industry policy and labour market policy are properly linked to vocational education and training policy.
The second fundamental change that is required is to abandon the current approach to vocational education and training which is purely market based and which treats all training and all industry sectors as if they were equal.

Public funding and assistance for vocational education and training should be directed based on policy priorities that are linked to national industry development priorities, priority industry sectors, regional development, transition from education to work, reducing disadvantage, social and community development, and public interest.

Current policy settings have encouraged a supply driven model for vocational education and training with precious little connection to the social and economic objectives Australia strives to achieve.

Another major change in policy direction that is required is to re-configure the mixture between enterprise, industry, individual and training provider responsibilities in the system.

The AMWU of course supported the moves in the late 1980's and early 1990's to increase industry ownership and input into the system.

Industry leadership however, is not the same as enterprise focus.

As the workplace and technology changes more and more rapidly, the need for generic transferable skills such as problem-solving skills, communication skills and the skills required to drive innovation continues to increase.

The need for generic skills however is not just confined to these so-called soft skills. Soft skills vary considerably according to their context. The person who has the skills to solve and manage an organisational problem does not necessarily have the skills to solve a complex maintenance or production scheduling problem.

To train someone who can simply solve a known routine problem on a particular machine in an isolated, enterprise specific context is clearly not the answer.

What is required is someone who is able to transfer their knowledge about particular maintenance problems to new contexts and new equipment and also be able to combine such skills with broader communication, problem solving and team work skills.

In this context there has been significant confusion between the issues of innovation and creativity and leading edge companies and the issue of enterprise specific skills. Many of the things which make leading edge firms competitive are in fact not unique or new competencies, but rather the particular application of those competencies within the broader context in which they are applied and the way in which work is organised around them.

What is also clear is that if the skill development and qualifications system is tailored simply to a few leading edge companies then we will have a policy that is geared to the creation of isolated islands of excellence.
This is neither sustainable from a labour market, industry policy, or skill development point of view.

Therefore, the AMWU believes that innovation and leading edge developments can be properly encouraged and supported within a framework of national industry standards and portable qualifications. This framework has become even more important given the high levels of labour mobility and high levels of precarious employment. The AMWU does support those aspects of the current system whereby there is flexibility in delivery and

assessment methods and creative (commercial) partnerships between enterprises and training providers are encouraged. However, greater support in professional development for teachers, standard basic curriculum materials, and appropriate funding support for training plan development and recognition of existing skills is required to make such a system work effectively.

Given the high levels of labour mobility and high levels of precarious employment, skill formation policies and training policies which are simply geared to the internal processes of a firm are much less appropriate.

The external labour market for firms, that is the recruitment of labour externally, has become more important that internal skill formation. It is also quite clear from studies for the Victorian Manufacturing Council and elsewhere that many firms are unable and unwilling to provide adequate resources and time for skill formation and training on the job.

Many firms, particularly smaller firms, are not able to provide trainees or apprentices with the necessary variety of work and training experiences to be able to acquire broad based qualifications to support the development of the wider industry labour and training markets.

In this context, the significant skill shortages and the significant decline that has occurred in traditional apprenticeships in manufacturing can only be addressed through more collective industry wide approaches. This means looking much more closely at how to develop relationships and partnerships between registered training organisations and the industry as a whole, or significant sub-sectors of industry.

Industry training advisory bodies are the logical bodies to have an increased role in achieving these outcomes. Given that the workforce is ageing, addressing the skills issues for manufacturing requires an examination of existing workers separately from the issue of entry level workers.

But in respect of this there are a number of considerations that must be factored in to any policy response:

Levels of subsidies to employees do not reflect the significant additional costs involved and time involved in engineering and printing apprenticeships.

The funding for registered training organisations is based on student placement and therefore it is much more profitable for registered training organisations to move into areas such as business services where equipment capital costs are low and teaching costs are also lower.

Linkages between pre-apprenticeship or block institutional training and apprenticeship arrangements.

Apprenticeships or Cadetships with higher level qualification outcomes need to be promoted. This could be more attractive to young people as it promises higher wage outcomes. It can also be more attractive to industry in providing more flexible workers to meet new demands of technology and work organisation.

Reviewing the entry level wages for engineering and printing apprentices.

Significant change to the incentive arrangements to adequately reflect the additional costs to employers of engineering apprenticeships and training and the much greater global competitive pressures under which they operate.

Much closer links between incentives for research and development and incentives for training.

Significant programmes are required to develop appropriate partnerships between schools and TAFEs to promote engineering apprenticeship commencements in schools.

Specific programmes are required in respect of the promotion of engineering careers through professional development for teachers.

In respect of existing workers it is quite clear that the spread of recognition of prior learning towards national qualifications for existing workers has been very poor. The major obstacles are as follows:

The process of identifying within firms what are the competencies which workers already hold and what are the competencies which are needed for future development, that is, the development of a training plan is quite expensive and time consuming.

Most employers and employees have considerable difficulty in identifying what it is they know, and what it is they need to know. Where this process has been undertaken it removes a major barrier to the future participation by both firms and individuals in further training.

The funding arrangements for registered training organisations are positively discriminating against their involvement in effective recognition of prior learning. The time and expense involved in identifying training needs of firms is not taken into account in assessing funding.

Fragmented enterprise bargaining has also encouraged competition based on lowering labour costs and intensifying work. This has pushed the issues of training and skill formation off the agenda for the purposes of improving productive performance and industrial negotiations.

Significant decreases in training have also accompanied processes of privatisation and contracting out which have been encouraged by both general government policy and industrial relations and labour market policy in particular.

The solutions to the problem of lack of investment and access in training for existing workers are complex but include the following:

Introduction of measures to increase the level of employer investment in training. This should include linkages between research and development assistance funding and training incentives. It should also include taxation relief and taxation penalties linked to firms investment in training that leads to national qualifications and serves the interests of the overall industry and economy.

Government incentives to promote collaborative and collective arrangements between firms and involving trade unions to promote increased training investment and cooperative training and skill development arrangements. This is particularly important in ensuring that workers get access to a broad range of skill development experiences.

Introduction of schemes to promote investment in recognition of prior learning and the development of training plans. Funding for such arrangements should be based on a partnership between registered training organisations and industry training advisory boards. This would ensure that assessments are consistent and valued and also that the extent to which such assessments lead to further ongoing training is maximised. Funding might also be increased in those cases where firms commit to a certain minimum amount of expenditure on further ongoing training. This would mean that firms get access to a proper assessment and training plan development service which would benefit the industry as a whole, the community, and individual workers, in return for making modest investment in future skills upgrading and development.

Introduction of appropriate regulation and measures to improve skills transition for workers facing restructuring and potential redundancy. This should include public funding for training during periods of restructuring and prior to retrenchment. However, such funding should be accompanied by the introduction, through awards and legislation, of requirements for greater notice periods of restructuring and redundancy so that workers are still employed during the period during which this retraining takes place. This will clearly maximise the chances of workers effectively adapting and finding new employment.

Specific programmes to address the very sharp decline in para-professional training and qualifications are also needed. This should include specific funding to support Cadetship type arrangements and programmes for workers to progress to these higher level technical qualifications.

Much emphasis has been placed by governments on VET in Schools as a means by which progress could be made in respect of the dual objectives of school retention and skills development.

Sadly the objective of school retention dominates at the expense of skills development in the context of employment.
The word `vocational' literally means ``of or pertaining to a job or occupation''. It stands to reason, therefore, that vocational education and training means education and training in the context of a job or occupation.

For VET in Schools to be successful there must be a direct connection between the education and training the job or occupation.

The AMWU believes that much of the activity that schools are engaged in under the VET in Schools banner could more properly be described as thinly disguised pre-employment and employment subsidy schemes.

Examples abound of whole organisations employing trainees, which not only disadvantages the employee in terms of discounted wages, but potentially cruels the pitch for funding of further TAFE training.

In addition, sadly, many schools have neither the facilities nor the competence to deliver legitimate vocational skills and instead turn to those programmes, largely classroom based, that are cheap to establish and/or require little or no professional development of teaching staff.

Many of the ideas raised in our submission require, and would be supported by, a revamped and expanded role for industry training advisory boards.

The AMWU believes that the principle source of advice in relation to training for the world of work must be industry itself.

Industry advisory arrangements must:

a) promote industry leadership and responsibility for skill development.

b) encourage coherent bipartite advice to Government;

c) respect the contribution of industry parties to the Strategic Planning process;

d) Contribute to whole of government processes for industry, economic and social development

e) ensure advice is sound and representative of industry and reflects the interests of a broad range of industry participants;

f) support and facilitate advisory and planning processes that are dynamic and interactive;

The AMWU believes that the ITAB roles should be expanded with adequate funding as follows:

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 assessment and delivery issues. ITAB roles 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 prior learning;

- the lack of incentives for such assesments 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 RPL 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 a greater and more equitable employer contribution to training effort through the administration of a training levy 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;

ITABs must have a quality and compliance monitoring role to underpin industry leadership;

Not all of the proposals here involve additional government expenditure although it is quite clear that some additional government expenditure particularly on the public training provider is essential.

Australia's capacity to continue to support vocational education and training initiatives, particularly in the traditional engineering and other manufacturing vocations is being seriously undermined by the winding back of funding support for the public provider.

Engineering and manufacturing industry training, as has been referred to earlier in this submission, is capital intensive and more costly than many of the vocational areas favoured by training providers driven by a profit motive despite the overwhelming evidence that a sound and vibrant manufacturing and engineering industry sector helps drive many of the so called `new economy'' industries through the maintenance of an economic critical mass that assists in sustaining new industry growth.

More whole of government collaboration with industry is needed to overturn a perception that manufacturing and engineering is a second prize career destination.

Australia's expenditure on education and training is significantly below the leading countries in the OECD. However, certain savings can be made. Improved recognition of prior learning processes for existing employees although involving some significant up-front costs will overall make the training system much more efficient and effective.

The engineering departments of TAFE have been systematically underfunded as a direct consequence of a variety of public policy dictates aimed at instilling a commercial motivation and competition based objectives.

The result of this is that engineering courses are regularly undersubscribed, poorly run, and devoid of infrastructure, e.g., machine tools, etc.

The current employer incentive arrangements for apprenticeships and traineeships could be made more effective and efficient.

Our proposals to significantly increase subsidies for traditional apprenticeships and apprenticeships at higher levels should also be accompanied by increased quality assurance and compliance measures.

These measures should include stricter requirements for the establishment of training plans and the actual delivery of training prior to the payment of significant subsidies. It should also involve a collaborative approach between State and Commonwealth Governments to provide apprentices and trainees with better protection from unfair dismissal and from exploitation. These measures would undoubtedly result in some significant overall savings.

Although we strongly support the proposals that have been raised recently by the Australian National Training Authority and others about improved training needs forecasting we believe that this will only an effective tool if is seen in the context of industry and labour market planning.

The aim of forecasting should not simply to passively follow and monitor trends it should also be to assist in the identification of measures to change trends. Australia needs to put in place the skill, labour market and industry policies required to increase our share of trade in elaborately transformed manufacturers and to decrease the level import penetration in Australia in this area.

This is essential if we are to get more balanced regional development and if we are to improve our living standards and implement security.