

**Senate Employment, Workplace Relations**

**and**

**Education References Committee**

**Inquiry into Current**

**and**

**Future Skill Needs**

**Submission from Group Training Australia**

**Ltd**

**February 2003**

## **Terms of Reference**

- (a) areas of skills shortage and labour demand in different areas and locations, with particular emphasis on projecting future skills requirements;
- (b) the effectiveness of current Commonwealth, state and territory education, training and employment policies, and programs and mechanisms for meeting current and future skills needs, and any recommended improvements;
- (c) the effectiveness of industry strategies to meet current and emerging skill needs;
- (d) the performance and capacity of Job Network to match skills availability with labour-market needs on a regional basis and the need for improvements;
- (e) strategies to anticipate the vocational education and training needs flowing from industry restructuring and redundancies, and any recommended improvements; and
- (f) consultation arrangements with industry, unions and the community on labour-market trends and skills demand in particular, and any recommended appropriate changes.

## **1. Executive Summary**

1.1. Group Training Australia Ltd (GTA) welcomes the opportunity to respond to the Senate inquiry into current and future skill needs.

1.2. The terms of reference for the inquiry are wide ranging and this association is not necessarily able to offer in-depth comment on all facets of the inquiry. We are however well placed to respond to term of reference (b) and to proffer a number of observations on each of the others.

1.3. Our views on the skills debate are essentially written from the perspective of group training and the role that our network plays in the labour market and in national skills formation. To a large degree that means from the perspective of traditional trade training where the network has its origins, even though it is also now a significant employer of trainees in industries and occupations that have only relatively recently developed contracted training arrangements. Some of these industries and occupations are of course also experiencing skill shortages.

1.4. In view of the significance of group training to the national training effort, particularly to traditional trade training, a fact that we hope is amply demonstrated in the body of our submission, we have some concerns about the direction of government policy in relation to group training.

1.5. Our concerns are centred on the reduction in the level of government financial support to Group Training Organisations (GTOs) over the years, at the same time as they are being burdened with increasing costs resulting from a more complex and demanding operating environment. We have provided specific information on these two factors and have suggested that new funding arrangements that have been recommended as part of a recent national review of group training are unlikely to remedy the problem.

1.6. We make a number of other points about the effectiveness of current government policies for addressing skill needs, and we also indicate that there is a range of cultural, social, educational and economic factors contributing to the problem of skill shortages. We have made a number of recommendations in our submission for further government action to address the issues we have raised.

1.7. One immediate problem from our perspective is the difficulty our network has in attracting good quality candidates to fill vacancies in the traditional trades. Again, there appear to be a number of reasons for this including:

- greater access to universities with the expansion of tertiary education
- the poor image of the trades
- a lack of understanding by schools and careers advisers of the benefits of a career in the traditional trades; and
- unattractive apprentice wage rates compared to what can be earned elsewhere.

1.8. We welcome the expansion of vocational education and training in schools in which we are significant participants, especially in school-based New Apprenticeships. This agenda not only improves school-to-work transitions for young people but is giving many of them the exposure to industry and to traditional trade training that may go some way to attracting them into a career they might otherwise have overlooked.

1.9. Finally, we have commented on another phenomenon of our age, which we would imagine a number of research organisations and industry bodies will comment on in more detail, and that is the apparent decline in the rate of traditional trade training by industry. This is a multi-faceted problem but one which essentially appears to be driven by economic factors and the pressures of competition. We note that government authorities have largely withdrawn from the significant role they once played in the provision of trade training.

1.10. We conclude with a reference to some recent research by the National Institute of Labour Studies on the changing characteristics of the Australian workforce, which is based on an analysis of census data for 1986 and 2001. This analysis highlights the 'deskilling' that is occurring within that part of the workforce encompassed by the traditional trades and the influences behind it. It makes for sobering reading.

1.11. GTA has made the following recommendations in relation to the committee's terms of reference:

**Recommendation 1: That the Commonwealth New Apprenticeship Employer Incentive for designated skill shortages be available Australia-wide.**

**Recommendation 2: That governments increase their level of operating support for group training through the Joint Group Training Program to enable group training to maintain its effort in traditional trade training.**

**Recommendation 3: That government continue to support the expansion of vocational education and training in schools to ensure that it develops as a quality pathway into traditional trade training.**

**Recommendation 4: That government strengthen professional development for careers advisers to improve their understanding of industry and the benefits of careers in the traditional trades and also investigate the value of alternative models to the provision of careers advice along the lines of recent initiatives in the UK.**

**Recommendation 5: That government provide a financial incentive to job-seekers willing to undertake a traditional apprenticeship.**

**Recommendation 6: That government provide additional incentives to employers who employ a traditional apprentice.**

**Recommendation 7: That government remove the restriction on the payment of Job Placement fees to Job Placement licensees for filling GTO vacancies.**

## **2. Role of Group Training**

### **A Uniquely Australian Employment and Training Solution**

2.1. GTA is the national industry association for a network of over 180 not-for-profit Group Training Organisations (GTOs) operating in over 200 locations across Australia.

2.2. GTOs employ apprentices and trainees (New Apprentices) and place them with host employers for varying periods until the apprentice or trainee has completed their training contract. This network of companies collectively employs over 37,000 apprentices and trainees, some 13% of the national total, making it the largest employer of apprentices and trainees in Australia.

2.3. Research conducted by Dench McClean Associates in 1996 Group Training Australia: Growth Strategy 1996-2000 indicated that, at that time, over 50% of group training's host employers were small and micro businesses employing fewer than 5 employees while 70% employed fewer than 10. More recent research suggests that, while an increasing number of larger employers are now using the services of GTOs, small businesses are still the major user group. Many of these businesses would not be involved in contracted training if it were not for the services provided by group training.

2.4. The concept of group training began in the late-1970s in response to the needs of small employers in the building and automotive industries who were increasingly unable to commit to four year indentures, which at that time was the standard duration of a training contract. GTOs subsequently proved themselves to be an important mechanism for providing employment for out-of-trade apprentices affected by the economic downturn in the early 80s.

2.5. From the early 1980s, the growth of group training was assisted by the support of the ACTU-Lend Lease Foundation, which promoted the concept and facilitated the establishment of new companies.

2.6. From about this time, group training also attracted the support of governments, which could see the benefit they provided to young people seeking employment in the trades and the important contribution they made to national skills formation. In recognition of their efforts, not-for-profit GTOs started to receive government grants to assist them with their operating costs.

2.7. A decision taken by government in the early 1990s to gradually withdraw operating support, subsequently rescinded as a counter cyclical measure, impelled Group Training Organisations to expand their operations beyond their core function in search of alternative sources of funding. Governments have, however, continued to promote the philosophy that GTOs should seek to be more self-sufficient and, as a consequence, have allowed the real value of their operating support to decline over the years.

2.8. The result of this is that today many Group Training Organisations are involved in a range of commercial functions including:

- the provision of training and assessment services as Registered Training Organisations (RTOs)
- the management of New Apprenticeship Centres (NACs) or the provision of other employment placement services under contract from the Commonwealth (Job Network)
- the provision of other employment and training services under contract from State and Territory governments; and
- labour hire for qualified tradespeople and other workers

2.9. These activities have contributed substantially to the commercial operations of GTOs and in many instances are the only reason they have been able to continue to operate the core business of employing and placing apprentices and trainees with host employers.

### **School to work transition**

2.10. In addition to their many commercial functions, Group Training Organisations also find themselves increasingly involved with schools, and the

range of issues affecting school to work transition. This is not surprising of course, in view of their need to ensure that there is a steady stream of quality candidates willing and able to fill their apprenticeship and traineeship vacancies.

2.11. This involvement with schools takes a number of forms and includes:

- the provision of careers advice
- the management and coordination of structured workplace learning (SWL) programs, many of which are funded by the Enterprise and Career Education Foundation (ECEP), formerly the Australian Student Traineeship Foundation (ASTF)
- participating on VET in schools management committees
- providing training as an RTO to VET in school students; and
- employing school-based apprentices or trainees.

2.12. The issue of vocational education and training in schools (VETiS) is one that is not only assuming increasing importance in the affairs of GTOs. It is one that features prominently in debates around school to work transition and goes to the broader question of skills training in both the traditional trades as well as in new and emerging industries. It is one that we will return to in the course of this submission.

### **3. Term of Reference (a)**

**areas of skills shortage and labour demand in different areas and locations, with particular emphasis on projecting future skills requirements**

3.1. GTA has not developed a systematic research capacity for determining areas, which we take to mean occupations, or the locations of skill shortages. However, we are able to access information from our network on the nature, location and number of apprenticeship and traineeship vacancies, especially those proving difficult to fill at any point in time.

3.2. GTA relies on reports from government, industry bodies and research institutes for detailed information on skill shortages and projections of future demand. This information is conveyed to the network as it becomes available to assist with planning and business performance. For example, the list of national and State skill shortages produced by the Commonwealth Department of Employment and Workplace Relations (DEWR) is one such tool.

3.3. Nonetheless, Group Training Organisations essentially respond to the demands of industry at the local level and seek to fill vacancies that host employers lodge with them. GTOs have an acute understanding of local employment needs and are attuned to employment and training opportunities that might emerge from the development of new industries in the localities in which they are active. While particular trades or occupations might be in short supply at a given point in time, the GTO may not necessarily have the relevant industry base within its catchment area to be able to expand into such trades and occupations.

3.4. The Commonwealth provides additional incentives to employers in regional Australia who employ New Apprentices deemed to be in occupations classified as in short supply. Many GTOs in rural and regional Australia have been able to expand employment opportunities for young job-seekers as a result of this additional subsidy. However, this association would support the extension of this benefit to metropolitan Australia where there is a greater concentration of the industries in question and where our network could have more impact on skill shortages.

**Recommendation 1: That the Commonwealth New Apprenticeship Employer Incentive for designated skill shortages be available Australia-wide.**

#### **4. Term of Reference (b)**

**the effectiveness of current Commonwealth, state and territory education, training and employment policies, and programs and mechanisms for meeting current and future skills needs, and any recommended improvements**

##### **How Policy Affects Group Training**

4.1. The effectiveness of government policies in relation to group training is a matter on which this association has strong views. It goes to the question of the ability of our network to fulfil its charter to provide opportunities for job-seekers, particularly young people, and to contribute to national skills formation.

4.2. A recent national review of group training, chaired by the Australian National Training Authority (ANTA), considered its role in the labour market and its contribution to employment and skilling in Australia. The review affirmed the important role of group training in the Australian VET system; in underpinning traditional trade training; working with local communities; as school to work transition brokers; and in assisting small business to understand the national training system and other aspects of government policy.

4.3. As a result of its findings, the review recommended the introduction of nationally consistent registration standards and, more critically, proposed a new set of funding arrangements.

4.4. This association has expressed concern about the proposed new funding arrangements, still being considered by Ministers, in view of the significance of the group training network to national skills formation and the difficult circumstances under which many of them operate.

4.5. There are a number of other factors that affect the ability of our network to produce the skilled work force so critical to economic prosperity. These factors can be attributed to aspects of government policy in areas such as education and industrial relations (wages policy). They may also be the result of social and cultural change which has come about as a result of policy settings in place over many years.

4.6. The end result is that such policies and social attitudes affect the ability of the group training network to attract suitable job-seekers to the kinds of opportunities they can offer and, in particular, to a career in the traditional trades.

4.7. It is important that we also examine these when considering issues affecting current and future skill needs.

#### **Group Training Underpins Traditional Skills Base**

4.8. As indicated earlier, group training has its origins in the traditional trades when four-year indentures, or Training Contracts, as they are now known, were essentially the predominant form of structured entry-level training.

4.9. The introduction of traineeships in the mid-1980s saw a massive expansion in the range of indentured training arrangements available to prospective job-seekers, initially at lower skill levels than traditional trade training, invariably of shorter duration (generally 12 months) and mostly in industries or occupations where such training arrangements had not previously existed.

4.10. Figures available from the National Centre for Vocational Education Research (NCVER) demonstrate the extent to which the group training network underpins the national effort in traditional trade training. The following table compares the growth of the numbers of all tradespersons, and selected categories of tradespersons, employed by GTOs with other employers over the last seven years.

% Growth in Numbers in Training by Trade and Employer Type			
March Quarters 1995 – 2002			
Trade	Growth in GT 1995-2002 %	Growth non-GT Employers 1995-2002 %	Growth all Employers 1995-2002 %
• Tradespersons and Related Workers (all trades)	57	8.5	14.6
• Construction tradespersons	34.2	17.5	21.0
• Automotive tradespersons	118.4	2.0	13.1
• Mechanical and fabrication engineering tradespersons	39.5	-27.4	-21.1
• Electrical and electronics tradespersons	121.7	5.3	20.2
• Food tradespersons	22.9	41.9	38.8

4.11. A closer look at the data at March 2002 is even more revealing. The following table highlights group training's national market share of all tradespersons, and selected trade categories, as well as its share in the same trade categories in those States and Territories where it exceeds its national share.

4.12. It is important to bear in mind that group training's national market share of all apprentices and trainees across all industry classifications is currently in the order of 13%, to appreciate the significance of the following figures.

Group Training Percentage Market Share by Trade and by Key States			
Based on In Training Figures at March Quarter 2002			
Trade	GT Market Share All States/Territories %	GT Market Share Selected States/Territories %	
• Tradespersons and Related Workers (all trades)	17.1	QLD	22.6
		WA	23.1
		SA	23.0
		TAS	22.0
• Construction tradespersons	23.4	WA	46.0
		ACT	43.0
		SA	40.0
		QLD	33.0
• Automotive tradespersons	18.4	TAS	34.1
		SA	25.0
		WA	23.0
• Mechanical and fabrication engineering tradespersons	16.8	NT	26.0
		TAS	24.3
		SA	22.0
• Electrical and electronics tradespersons	23.6	SA	39.9
		TAS	39.0
		WA	34.0
		QLD	28.5
• Food tradespersons	14.5	QLD	25.5
		SA	22.6

4.13. If one takes the construction tradespersons and looks at market share on the same basis as the table above for just two key occupation groups within this classification, the significance of the role of group training in underpinning traditional trade training is made even more apparent.

Group Training Percentage Market Share by Occupation Groups Within the Construction Trades and by Key States			
Based on In Training Figures at March Quarter 2002			
Occupation Group	GT Market Share All States/Territories %	GT Market Share Selected States/Territories %	
		• Carpentry and Joinery tradespersons	25.2
		WA	52.0
		SA	41.5
		QLD	38.5
		NT	28.1
• Bricklayers	26.3	WA	78.1
		SA	39.6
		ACT	31.6
		QLD	28.7
		NSW	25.3

Data sourced from NCVET Apprentice and Trainee data collection March 2002

Data interrogations based on ASCO classifications at AQF level III only

4.14. There could be no clearer evidence of the significant contribution that this uniquely Australian labour market intermediary is making to the maintenance of the national training effort in the traditional trades. This effort has been made despite a steady increase in the operating costs of GTOs at the same time as the level of government financial support has been reduced.

4.15. The increasing costs can be attributed to factors such as:

- the burgeoning costs of insurances, in particular workers compensation and public liability
- the loss of benefits derived from sales tax exemption with the introduction of the GST;
- compliance costs associated with a range of government policies including GST, OH&S, affirmative action, protection of minors; and, a point that is often lost,
- the complexity of managing apprentices and trainees in a competency based training system.

4.16. The loss of government financial support has occurred at two levels.

These are:

- the reduction in 1998 of Commonwealth New Apprenticeship Employer Incentives paid to not-for-profit GTOs in respect of traditional apprentices from \$4,000 to \$2,500 (exc GST); and
- a reduction over several years of the value in real terms of the funding that has been paid to GTOs annually under the Joint Policy Program

### **Employer Incentives**

4.17. This association is pleased to note that after many years of representations to the Commonwealth about the adverse impact of the reduction of the value of the employer incentives, the 1998 decision has been reversed as part of a recent Commonwealth review of the Employer Incentive Program.

4.18. GTOs will not benefit from the increase in the employer incentive paid to them until 2007, since the increase will only apply to those employed after the implementation of the new incentives regime in July 2003, and the bulk of the incentive is paid on completion of the four year training contract. However, this decision is welcome as it recognises the additional cost of supporting a traditional apprentice over a four-year period, compared to much shorter traineeships which, until now, have attracted almost the same level of incentive payment.

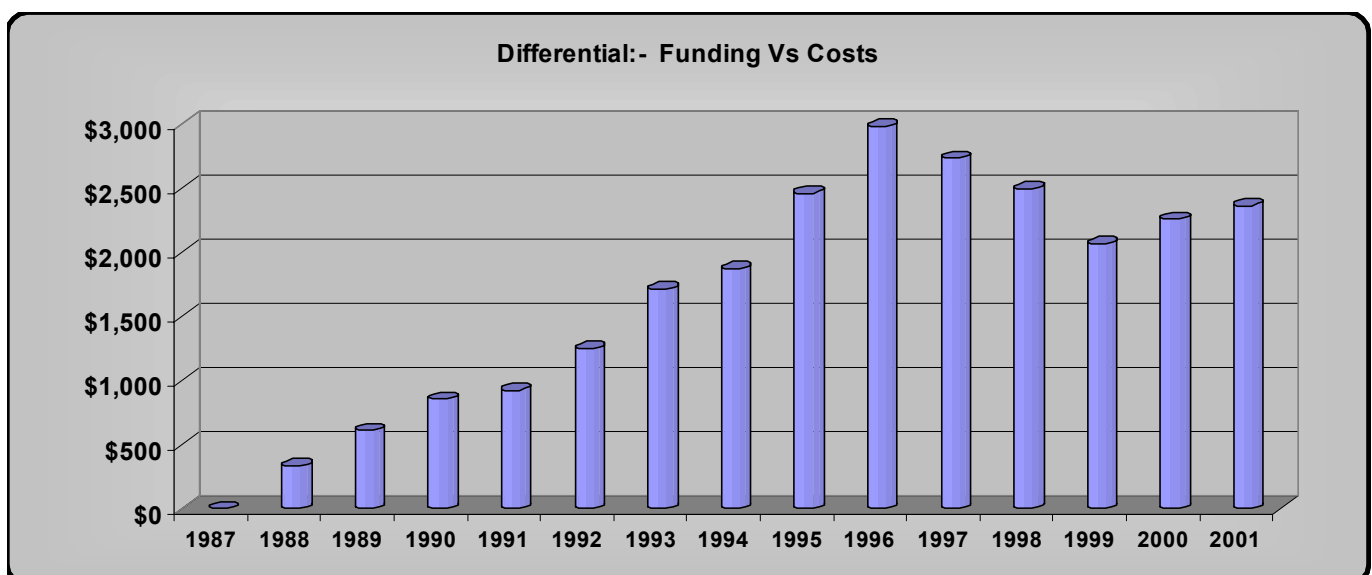
## Joint Policy Program

4.19. The question of the depreciating value of Joint Policy Program funds, which the national review recommended be renamed the Joint Group Training Program, is somewhat more complex. It was the subject of vigorous debate during the recent national review of group training and recommendations made in respect of the future of the program are still on the table.

4.20. The debate included submissions from interested parties following the release of a consultation paper by the review steering committee.

4.21. One such submission from a GTA member company included a table that graphically demonstrated the growing gap over the last fifteen years between the level of government support for an apprentice or trainee and the cost of supporting that person through their training contract. This graph is reproduced below by permission of Capricornia Training Company (CTC), Rockhampton, Queensland.

4.22. While the graph is based on the income and expenditure profile of CTC's apprentices and trainees, GTA believes it would be indicative of trends for the entire network. Indeed, this contention was essentially confirmed by William Buck Business Consultants who were commissioned to undertake an analysis of the financial viability of GTOs as part of the national review.



4.23. It is clear from this graph that this growing gap has had to be met by either cross-subsidising from other sources or from increased charge-out fees to host employers. While charge-out rates have had to be increased to compensate for the reduction in government support, small business has a limited capacity to absorb the increase. The risk to GTOs, and hence to the national training effort, is that host employers will opt out of contracted training altogether if it proves too costly.

### **The Proposed New Funding Arrangements**

4.24. The ANTA Ministerial Council (ANTA MINCO) has deferred its decision on the introduction of new funding arrangements pending the provision of additional information on their potential impact on individual GTOs. The information was expected to be available for consideration at the November 2002 ANTA MINCO but has been deferred to the June 2003 meeting.

4.25. The new funding principles are controversial because they overturn the long established principle of funding for all apprenticeships and traineeships and replace it with the proposition that the funds only be used by State/Territory Training Authorities to purchase outcomes drawn from four agreed priority categories. This would further reduce operational support for many GTOs and modelling commissioned by this association suggests a further compounding of that situation. The results of our modelling have been provided to ANTA to assist them with the preparation of additional information for consideration by Ministers at their next meeting.

4.26. All these funding decisions have adversely impacted on the ability of GTOs to maintain effort in the recruitment, placement and support of a traditional apprentice throughout a four-year training contract.

4.27. GTA is keen, therefore, to ensure that the contribution made by group training to national skills development, particularly in the traditional trades, is reflected in the national vocational education and training strategy for the period 2004-2010 which is currently being developed by ANTA under the

banner of **Shaping the Future**. Acknowledging the role of group training in this planning document should provide greater certainty and ensure that the development of policy in relation to group training takes account of its charter and its special place in the VET system.

## **Other Policies Affecting Skills Formation**

### **Educational Issues**

4.28. One of the major problems reported by the members of our network is the difficulty they experience attracting suitable applicants to fill vacancies in the traditional trades, with some more difficult to fill than others. A number of explanations are commonly given to explain this phenomenon.

4.29. Vocational education and training, and especially the traditional trades, have suffered from a poor image and are often portrayed unfairly as 'second best'. Schools are often blamed for perpetuating some of this view and, it must be admitted, parents sometimes reinforce this view with their own expectations for their children.

4.30. We have heard it said that the expansion in the number of university places in the last 20 years may help explain the emphasis schools place on tertiary education as the most desirable outcome for students. Our members often complain about the calibre of candidates for apprenticeships these days, compared to days when fewer university places were available. It has been suggested that the quartile of school leavers that used to present for apprenticeships is now going on to university, leaving those who once occupied semi-skilled and unskilled positions to apply for the available apprenticeships. This would explain the observation of our network that apprentices and trainees need more learning support to get through their courses these days than was once the case.

4.31. A lot of resources have been expended on improving careers advice and information in recent years, including interactive web sites and reams of promotional material, some of which has emanated from government initiatives such as the National Industry Skills Initiative (NISI). It is probably too early to determine how effective these have been.

4.32. School leavers need to understand that a career in the traditional trades can be as personally and financially rewarding, if not more so, than many other options available to them. The perception of our network is that many careers advisers lack any real understanding of industry, or at least the traditional trades, despite the introduction of some very good programs designed to overcome this deficit.

### **New Pathways through Vocational Education and Training in Schools**

4.33. One very encouraging development that is going some way to ameliorating this situation is the rapid expansion of vocational education and training in schools.

4.34. Changes in the labour market over the last 20 years which have left early school-leavers with fewer job options, the expansion of the tertiary education sector, coupled with changing expectations, have seen a dramatic increase in the numbers of students staying on in Years 11-12. That many of these students are ill-suited to the traditional senior secondary academic curriculum is beyond dispute.

4.35. Consequently, considerable effort has gone into the creation of alternative pathways into employment or further education and training. Many of these pathways involve some form of vocational education or vocational training and have generally been designed to ensure that students do not limit their options by the choices they make. Vocational programs now usually enjoy dual recognition, being recorded on senior secondary certificates and leading to industry recognised credentials, and in some cases contributing to tertiary entrance scores. This association welcomes this development.

4.36. An increasing number of these programs now include a degree of contextualised learning which takes place beyond the classroom. This is most evident in the growth of structured workplace learning (SWL) programs sponsored by the former Australian Student Traineeship Foundation (ASTF), now the Enterprise and Career Education Foundation (ECEP). These programs endeavour to include a stint in a real workplace so that the underpinning knowledge acquired off-the-job, usually in the classroom, can be consolidated through on-the-job training and assessment.

4.37. We have no doubt that these programs go some way to bridging the gap between school and work. They expose young people to the workplace and to the culture of work, they assist in the development of vocational skills and they aid learning by providing a context in which many young people can apply the knowledge they acquire in the classroom.

4.38. As indicated earlier, many GTOs are now involved in SWL programs, participating in management committees, delivering training and often securing the work placements using their vast networks of host employers. They see the benefit of these programs to the students and also recognise that cultivating this pathway is something of an investment in their own future. These students will often go on to become their future apprentices and trainees.

4.39. The other major development in this field is the introduction of school-based apprenticeships and traineeships. These programs also lead to an industry recognised credential but they are undertaken under a training contract like any other apprenticeship or traineeship. Group Training Organisations have been prominent players in this particular educational initiative. Indeed, they are arguably its progenitor and it may well be that they would not be the success they are without their involvement.

4.40. Interestingly enough, we note that Mr Bill Mansfield, until recently the deputy-chair of ANTA, stated in an interview in Australian Training, ANTA's

quarterly newsletter, that within 10 years up to a quarter of all apprentices and trainees would commence their training at school. Of course, if accurate, this has major implications for schooling and indeed for our network.

4.41. It is certainly our hope that the pathways being developed through VET in schools will assist students to realise the value of a career in the traditional trades and that this renewed interest will go some way to ameliorating skill shortages.

### **Apprentice Wages**

4.42. Another factor working against attracting good quality candidates into the traditional trades is the relatively low pay rates for apprentices, particularly in the early years of the trade, though some pay better than others.

4.43. It is increasingly difficult to attract a young person into a trade at 18 years of age when the pay rate could be as little as \$200 per week, such as bricklaying, compared to what might be earned as a labourer, in the same industry. In some industries, again using the building industry as an example, an apprentice would almost invariably need a motor vehicle, in addition to meeting the usual living expenses, which may or may not include the cost of living away from home.

**Recommendation 2: That governments increase their level of operating support for group training through the Joint Group Training Program to enable group training to maintain its effort in traditional trade training.**

**Recommendation 3: That government continue to support the expansion of vocational education and training in schools to ensure that it develops as a quality pathway into traditional trade training.**

**Recommendation 4: That government strengthen professional development for careers advisers to improve their understanding of industry and the benefits of careers in the traditional trades and also**

**investigate the value of alternative models to the provision of careers advice along the lines of recent initiatives in the UK.**

**Recommendation 5: That government provide a financial incentive to job-seekers willing to undertake a traditional apprenticeship.**

## **5. Term of Reference (c)**

**the effectiveness of industry strategies to meet current and emerging skill needs**

### **National Industry Skills initiative**

5.1. One of the important initiatives of recent times to address skill shortages has been the implementation by the Commonwealth of the National Industry Skills Initiative (NISI). While NISI is a government initiative which would bring it within the purview of term of reference (b), it is essentially an industry driven response to skill shortages, facilitated by the Commonwealth.

5.2. The first round of NISI commenced in 1999 with the identification of a number of industries in which skill shortages are being experienced. Subsequent rounds of NISI have identified nine industries all told for which action plans have been developed by the industry partners.

5.3. Industries for which plans have been developed include:

- engineering (including aerospace)
- electro-technology
- building and construction
- the food trades
- road freight transport
- rural
- retail motor
- retail; and
- emerging technologies

5.4. From the information available from the NISI web site to date, a number of worthwhile strategies appear to have emanated from working groups associated with these industries. These strategies include:

- the development of improved careers advice and information services for young people
- projects to examine systemic barriers to training in general and New Apprenticeship pathways in particular
- surveys of employer attitudes to training and young people's attitudes to careers in the industries in question; and
- promotion to both employers and job seekers of the benefits of group training

5.5. While we are three years into NISI, it may still be too soon to expect a dramatic improvement of the problem the project seeks to redress. A number of the strategies are by their very nature long term, involving as they do a degree of attitudinal and cultural change within industry, school systems and the public.

### **Employer Attitudes to Training**

5.6. There is another aspect to the phenomenon of skill shortages which we feel should be raised at this point. It goes to the question of what is happening in industry that skill shortages in the trades have become such a critical problem.

5.7. There is increasing evidence that industry has reduced its effort in relation to training and we would expect this inquiry to receive submissions from research organisations and other stakeholders able to demonstrate the extent to which this may have happened and reasons for the decline.

5.8. It is certainly clear that government authorities have reduced their involvement in traditional trade training. Many government business

enterprises have dramatically scaled back, if not abandoned altogether, their involvement in trade training as they have become corporatised or privatised.

5.9. Indeed, this organisation was approached in 1997 to assist the then Commonwealth Department of Administrative Affairs, at that time in the process of selling its business enterprises, to place some 400 apprentices with GTOs before the sale to the private sector. The network was able to place all these out-of-trade apprentices to enable them to complete their training.

5.10. The private sector also appears to be less involved in trade training thereby contributing to the problem of skill shortages. This fact is commonly attributed to the pressures of competition and globalisation. It seems that businesses are paring back to core function to maximise their competitive edge, divesting themselves of any function deemed to be unproductive, or an unnecessary cost, such as training.

5.11. Some industries like building and construction are beset by structural problems such as shorter contracts, increasing specialisation, and sub-contracting, all of which work against an employer making a commitment to a four-year training contract for an apprentice.

5.12. The effect of this is that many employers have out-sourced training and are only able to stay involved by using an intermediary such as a Group Training Organisation. Indeed, in many instances employers are still only interested in taking on a third or fourth year apprentice, so concerned are they about competition and costs and the need for the apprentice to be as productive as possible.

5.13. Many GTOs struggle to place first and second year apprentices and endeavour to make them as financially attractive to host employers as possible.

5.14. Some employers have opted out of training altogether, only employing staff who already have the required skills and, in many cases, employing them through labour hire arrangements. Many labour hire companies are themselves now becoming more involved in trade training in recognition of the fact that their business success is dependent on the supply of skilled labour.

### **The Hourglass Workforce**

5.15. It is with interest that we noted an article in the Sydney Morning Herald (SMH) of 5 February 2003 by Ross Gittins, entitled Face of the Hourglass Workforce. The article is reporting on recent research by Mark Cully of the National Institute of Labour Studies at Flinders University who has been studying how the nature of jobs has changed over the last 15 years using the census figures for 1986 and 2001.

5.16. He has found that the total number of jobs grew by 1.8m in this period with 1.0m of those in the highest skill categories of managers, professionals and associate professionals and 700,000 in the unskilled or semi-skilled occupations in the services sector.

5.17. However, according to the research, the past 15 years have seen almost no net growth in the number of middle-level skilled jobs – jobs that require post school training but not a university degree. Gittins states: "The most glaring example is qualified tradespeople. Had jobs in the trades preserved their share of total employment, they would have grown by 300,000. In fact, their number fell by 13,000.

5.18. Employment is down in almost all trades: electricians, telecom repairers, carpenters, bricklayers, butchers, printers, upholsterers, panel beaters and all kinds of metal trades."

5.19. The article goes on to report on the researcher's explanations for this hollowing out of the skill structure of the workforce, hence the title of the article.

5.20. Gittins reports that amongst the explanations is "...the long standing trend for advances in technology to make the agricultural, mining, manufacturing, and construction sectors more mechanised and less labour-intensive. The computerisation of manufacturing goes a long way towards explaining the decline in blue-collar job opportunities, particularly for men – the fall in jobs for tradespeople."

5.21. The article continues "At the same time, it seems that advances in machining (such as computer-aided design and manufacture) are 'de-skilling' employment in manufacturing, so those jobs that remain are less likely to be performed by tradespeople and more likely by tradespeople's mates. As an example, the number of wood machinists and turners fell by 1,700, while the number of wood processing machine operators rose by 1900. Such a trend sees job opportunities in manufacturing moving from the middle of the skill distribution down towards the bottom."

5.22. The timing of the research is fortuitous coming as it does during this inquiry. We believe it lends support to our concerns about the decisions employers are making in relation to traditional trade training and the impact this is having on national skills formation.

5.23. The technological advances (and structural changes) may have reduced the demand for qualified tradespeople but it hasn't reduced the need for them altogether. The 'de-skilling' that comes from limiting training to sub-trade level, or tradespeople's mates as they are referred to in the article, is pointing to a flaw in the system. It enables or encourages employers, hard pressed as they may be for all those competitive reasons mentioned earlier, to restrict skills acquisition, and therefore pay rates, only to that level which meets the narrow and immediate needs of a particular task or function in the production cycle.

5.24. It also leads to the complaint of a lack of breadth and depth of skills in workers who might otherwise have been trained to full trade level and it contributes ultimately of course to skill shortages.

5.25. Worse still, it is at odds with economic theory that suggests that economic prosperity is enhanced through the innovation that flows from a highly skilled, and knowledgeable, workforce.

**Recommendation 6:                    That government provide additional incentives to employers who employ a traditional apprentice.**

## **6. Term of Reference (d)**

**the performance and capacity of Job Network to match skills availability with labour-market needs on a regional basis and the need for improvements**

### **Job Network and Group Training**

6.1. Over the years, many Group Training Organisations have widened the sources from which they seek referrals for job vacancies.

6.2. In addition to the Job Network, and prior to that the CES, many GTOs now have their own registers of job seekers from which to fill vacancies. These registers would be compiled from a range of sources including: school leavers and soon-to-be school leavers that the GTO has engaged with during the course of its involvement with schools; advertising in local media; and word-of-mouth contacts.

6.3. The Job Network is still important to many, of course, and it is only recently that this association successfully negotiated with the Commonwealth for the removal from the Job Network guidelines of a barrier to the provision of a seamless referral service to GTOs. This barrier, which will be removed for round three contracts taking effect from July 2003, currently prevents Job Network providers from claiming their job matching fee for filling a GTO apprenticeship or traineeship vacancy, if that vacancy has attracted funding from any other source.

6.4. In view of the government's agreement to remove this barrier, we were perplexed to hear of a recent decision to preclude GTOs from vacancy servicing under the Commonwealth's new job matching service, called Job Placement Services, which is being set up in parallel to Job Network 3, ostensibly to expand the volume of job matching in the labour market. We believe that this decision is at odds with the agreement to remove the current restriction on referrals between Job Network and GTOs.

**Recommendation 7:                      That government remove the restriction on the payment of Job Placement fees to Job Placement licensees for filling GTO vacancies.**

## **7. Term of Reference (e)**

**strategies to anticipate the vocational education and training needs flowing from industry restructuring and redundancies, and any recommended improvements**

7.1. GTA can not add to this question other than to suggest we be involved in any attempts to place out-of-trade apprentices resulting from industry restructuring or redundancies in the way in which we were called upon to assist the Commonwealth in 1997.

7.2. We know that at least one of our State associations maintains a register to assist in placing out-of-trade apprentices with other GTOs and that this service is supported by their State Training Authority. However, these apprentices are out-of-trade for a variety of reasons and not necessarily through restructuring or redundancy.

## **8. Term of Reference (f)**

**consultation arrangements with industry, unions and the community on labour-market trends and skills demand in particular, and any recommended appropriate changes.**

8.1. GTA has an enormous outreach into industry and particularly small business through its network of field officers who, in addition to their primary role, are effectively intelligence gatherers for their State and national organisations. This is a valuable resource and one which was emphasised to ANTA operatives during recent consultations on the development of the 2004-2010 national VET strategy.

8.2. We need to ensure that GTA is represented in all forums where skills training is at issue.

8.3. There are new industry advisory arrangements currently being developed by ANTA to replace the existing network of national Industry Training Advisory Bodies (ITABs). There may be scope in these new arrangements to ensure that the collective intelligence of the network is captured by policy makers.

## **9. Conclusion**

9.1. The skills shortage issue will not go away. It is a growing problem, not just in this country but globally. If we do not act, and implement appropriate policy responses we face a rolling skills crisis.

9.2. Decision-makers and all interested parties have a role to play in devising the right solutions. As demonstrated, group training can play a critical role in maintaining and growing traditional trades.

9.3. Moreover, there must also be brought to the table a much greater sense of urgency in tackling this problem. In some respects it is an insidious process that has slowly come about as result of a combination of economic

forces and social and cultural factors. However, now that we recognise it for what it is there is a need for immediate action.

9.4. The issues addressed by the inquiry go to the very question of whether Australia is genuinely 'skilling' itself for the future. Alarm bells across many industry sectors have been ringing for a number of months. It is to be hoped that through the work of this committee those warnings can be heeded and action taken.

**END**