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EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

Reference: Current and future skills needs

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MELBOURNE

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SENATE
EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

Wednesday, 16 April 2003

Members: Senator George Campbell (*Chair*), Senator Tierney (*Deputy Chair*), Senators Barnett, Carr, Crossin and Stott Despoja

Substitute members: Senator Allison to replace Senator Stott Despoja for matters relating to the Training portfolio and the Schools portfolio

Participating members: Senators Abetz, Boswell, Buckland, Chapman, Cherry, Collins, Coonan, Denman, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Forshaw, Harradine, Harris, Hutchins, Johnston, Knowles, Lees, Lightfoot, Ludwig, Mason, McGauran, McLucas, Murphy, Nettle, Payne, Santoro, Sherry, Stephens, Watson and Webber

Senators in attendance: Senators Allison, Buckland, Carr (Acting Chair) and Stephens

Terms of reference for the inquiry:

To inquire into and report on:

- 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.

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Committee met at 9.07 a.m.

GILL, Ms Annette, Project Coordinator, Police and Consultation, National Employment Services Association

SINCLAIR, Ms Sally, Chief Executive Officer, National Employment Services Association

THOMPSON, Mr David, Chair, National Employment Services Association; and Chief Executive Officer, Jobs Australia

ACTING CHAIR (Senator Carr)—Good morning. I declare open this public hearing of the Senate. We are pleased to be in Melbourne to learn from people in Victoria about current and future skills needs and suggestions for changes and improvements. On 23 October 2002 the Senate referred an inquiry into current and future skills needs to the Employment, Workplace Relations and Education References Committee. We are obviously concerned about the levels of public and private investment, the development of our skills base and the proportion of highly skilled full-time jobs being created, particularly in some regional areas. Questions have been raised about whether current training policies and programs and our broader framework of post-secondary education and training adequately support the development of a high skills base and a culture and practice of lifelong learning. At the same time there have been many examples of training providers and communities exploring innovative approaches to identifying and meeting current and future skills needs.

The committee would be interested to hear about any problems with the current policies and programs and how they can be overcome. We have also identified some more specific concerns, including strategies to project future skills needs and to address current and future skills needs; the effectiveness of current training initiatives, policies and programs in building a genuine skills base supporting a flexible labour market; the capacity of Job Network and other parts of the employment system to match skills availability with labour market needs, particular on a regional basis; and the adequacy of current consultation arrangements. The committee looks forward to consulting a wide range of industry representatives, VET and other training providers, government, union and community representatives.

Before we commence taking evidence today, I wish to state for the record that all witnesses appearing before the committee are protected by parliamentary privilege with respect to the evidence provided. Parliamentary privilege refers to the special rights and immunities attached to the parliament, its members and others necessary for the discharge of parliamentary functions without obstruction and fear of prosecution. Any act by any person which operates to the disadvantage of witnesses on account of evidence given before the Senate or any of its committees will be treated as a breach of privilege.

I welcome any observers to this public hearing and I welcome our first witnesses, representing the National Employment Services Association and Jobs Australia. I have before me submission No. 49, from NESA, and submission No. 58, from Jobs Australia. Are there any changes you would like to make to either of these submissions?

Ms Sinclair—In relation to the NESA submission, there is a reference, in talking about prevocational training, to the national apprenticeship assistance program. We would like to note that we recognise that it is available; however, we think there are some issues about how far it

can reach in relation to providing that training. That is an area we think is pretty critical in terms of meeting skills shortages in particular labour markets.

ACTING CHAIR—Is that a specific amendment you would like to make to your submission or a change in the emphasis?

Ms Sinclair—It is a note, as distinct from a change or a particular emphasis. We would also like to note—and, I suppose, emphasise—a reference to area consultative committees. There has clearly been some restructuring in terms of how those ACCs work. We see that they could have a critical role in matching various stakeholders in skills shortages.

ACTING CHAIR—I will ask you to make your full opening statement in a moment. Are there any other changes you would like to make to your submission?

Ms Sinclair—No, that is probably about it.

ACTING CHAIR—Do you have any changes, Mr Thompson?

Mr Thompson—No.

ACTING CHAIR—I now invite you to provide a brief opening statement and then we will move on to questions from senators.

Ms Sinclair—The National Employment Services Association was established in 1997 as an industry response to the government's introduction of employment services reforms and, most notably, the Job Network. We currently represent most providers of Job Network services and other employment services programs, both federally and state funded. We are the national peak body that represents all stakeholders—private, community and not-for-profit sector providers. We are particularly interested in meeting with you today to talk about the opportunities to improve the skills matching with industry and the Job Network.

There are a number of key recommendations we have made about where we see opportunities to further address current and future skills needs. Clearly, the Job Network is currently undergoing quite a major transition in moving from one contract to another. Indeed, many of the areas that we would have been talking about with you had those changes not been taking place will in effect be addressed under the new service delivery framework in employment services contract 3. We have addressed our submission to the current state of play, being the employment services contract 2, but wherever possible we have also noted how those issues may be addressed through the improvements to the framework under employment services contract 3. I just make that note at this stage. That would be most particularly in relation to the integration of what we are calling complimentary programs into the service delivery framework to better link up the various forms of assistance to job seekers to ultimately improve their skills base for better matching to employers' requirements.

I will run through the key recommendations we have noted in our submission. No. 1 is an affordable work experience and on-the-job training insurance package for the Job Network. There are many challenges in achieving successful and effective work experience placements due to various legislative and insurance requirements and, in some cases, barriers. The Job

Network providers do see this as being a key area in which they could assist job seekers to better improve their skills base.

All legal employable job seekers are provided with job matching assistance, with outcome and performance recognition available to Job Network members. We recommend a review of the outcome fee and performance recognition for education and training outcomes achieved by Job Network, and we believe areas of identified skills shortage could be prioritised; greater education and awareness programs that encourage employers to maximise skills available in the unemployed; a review of eligibility for all Job Network services with the objective of early intervention and prevention—

ACTING CHAIR—I am sorry to interrupt you, but we have the submission in front of us, so it would be helpful if you would just like to enlarge on anything in the submission.

Ms Sinclair—I think we could do that through the course of the discussion.

ACTING CHAIR—We have read the submission, so is there anything else you would like to put to us?

Ms Sinclair—Not at this stage, just our submission plus those additional conclusions I mentioned earlier.

ACTING CHAIR—Thank you very much. Mr Thompson, is there anything you would like to add?

Mr Thompson—I would like to put this in a historical context. The predecessor to the organisation currently known as Jobs Australia was known as National Skillshare Association. It was a national peak body for, at one juncture, in excess of 500 organisations that were funded and operated under the former government's Skillshare program. That program, along with a number of others, had a strong emphasis on the provision of structured skills training for unemployed people. I can recall that at one stage the observation was made that the amount of formally recognised vocational education and training delivered by that network of organisations was bigger than that delivered by Queensland TAFE, for example.

In addition there was a reasonably effective market created through purchasing of training by the employment department under its various names—Employment and Youth Affairs, Employment and Industrial Relations, Employment, Education and Training and Employment, Education, Training and Youth Affairs, and so on—under programs such as Jobtrain, which involved private sector and community sector providers. The conjunction with the introduction of the Job Network and the accompanying fiscal consolidation—the government reduced the spending on labour market assistance to unemployed people by roughly half, and in the order of about \$1 billion on the former government's forward estimates—resulted in a substantial dismantling of that capacity in both the private sector and the community sector, and a quite different mode of operation. Rather than process-prescribed programs for unemployed people with a strong emphasis on training, the government moved, in the Job Network model, to a model based entirely on outputs and outcomes with no prescription of process whatsoever.

We saw a dismantling and in fact the removal from the system of substantial training infrastructure for unemployed people in both the private and the community sectors. We saw a

tendency for the labour market assistance system, if I can call it that, to operate on an episodic, individualised and by-appointment basis with individual unemployed people by and large—so less opportunities, less facilities to get people together in groups, less emphasis on training as a means of helping unemployed people secure jobs. With the wisdom of hindsight—which is a wonderful thing—it went too far in terms of some of those things.

As my colleague Ms Sinclair has indicated and as is reflected in the submissions of both organisations, the government has over the last couple of years, and in particular in relation to what is known as employment services contract 3, moved to make substantial adjustments, many of which will go to address some of those concerns. Providers have to provide or have facilities to provide job search training to all the unemployed people coming through the system. We think that is going to mean they are going to rearrange their premises and facilities so that they will all have training facilities. They have to provide three days a week for the first three months the sequence intervention called customised assistance, which we think many will deliver in their facilities, using training and so on. And we have the introduction of a job seeker account, which the providers can draw down on to purchase interventions but which cannot be used to simply apply to the bottom-line surpluses or profits of organisations. Importantly, with that, we will also have the first opportunity, in these new sorts of marketised arrangements, to identify what that money has been spent on and which interventions or combinations of interventions are yielding results. So we expect to see some major change.

As is reflected in our submission, the government has come a long way also with respect to the arrangements for Work for the Dole. In the Australians Working Together package, it announced the introduction of training credits. Similarly, there are some limited training accounts—additional training funds available for Indigenous and mature age workers in the broader Job Network. Those arrangements continue into the new Job Network arrangements as well. There have been some substantial difficulties in securing the take-up of those new training add-ons which the government has addressed by completely reviewing the administrative arrangements and making it much easier for providers to access those things. We are now in discussions with the government—which have gone some considerable way—about the idea that, wherever possible, Work for the Dole placements will be tailored to the needs and aspirations of individual unemployed people. They will be placed in placements that are likely to fit with their career and job aspirations and are likely to give them more and better work experience, which we think is a good thing.

There is another major gap—and it was alluded to in both of the submissions—in that, in the current arrangements, those young people who are exiting the formal education system to become unemployed do not actually come to us until substantially down the track in their experience of unemployment. We are starting to have what I think will hopefully be some productive discussions about picking those young people up without letting them fall out of the education system and the employment system and be in hiatus. There has been a debate about the extent to which having a better conjunction between the education system and the employment services system would have some negative impact on retention rates. That has to be balanced against the fact that we know that there are substantial numbers of young people who are exiting the education system and who do need to be picked up earlier to be assisted either (a) into the labour market or (b) back into the VET system or other parts of the education system.

ACTING CHAIR—Ms Gill, do you want to add anything to that?

Ms Gill—No. I am happy with that.

Senator ALLISON—The central theme for us in this inquiry is in looking at systems that might or might not be in place for us to collect information about skill shortages and the capacity of our current systems to match what is there with the demands for it. What is your view about whether or not there is a need for a national set of criteria for reporting on such skill shortages? Can you comment—perhaps you, Ms Sinclair—about how Job Network organisations operate in this respect? Is the competitive arrangement that they currently operate under inhibiting the collection of such data? Can you make some suggestions to the committee on those things?

Ms Sinclair—There are a number of elements that can be addressed in relation to that area. At the end of the day, the Job Network—the next contract comprises 109 contracted organisations—is very much a locally driven employment service delivery framework. A key aspect of the effectiveness of that service delivery is local linkages with other stakeholders—community organisations and, most particularly, employing organisations. A bridge in that process is clearly the training institutions—TAFEs, registered training organisations or other organisations that may be involved in the delivery of training—being able to match with the skills requirements of employers in the local area.

I think that under the current framework that has probably happened somewhat sporadically. It has not necessarily been an organised approach at a local or regional level, and that also reflects on some of the supplementary comments we have made in relation to the role and function of the area consultative committees. Where those committees have functioned effectively, they have been very good at facilitating those local linkages and running very good local research into the trends in that particular region and the skill shortages and being able to effectively educate various stakeholders, including the Job Network members, in relation to matching those skill shortages to better enhance employment outcomes.

The structure of the new employment services contract and the enhancement in terms of the linkages with other programs should actually see a more effective locally coordinated response in relation to better addressing those skills shortages. However, having said that, we think there is probably a need also for a national strategic approach which basically looks at those industries where, for the job seekers that are characteristically coming through the Job Network, there are opportunities for better take-up, providing that various skill shortages are met. We have commenced dialogue, at a very preliminary level, with the department and with other stakeholders who are involved in that area with a view to looking at the national picture and a national framework. For example, there has been one initiative already, which was referred to in our submission, by the Restaurant and Catering Association, which is the peak body for the restaurant and catering industry. They have an initiative, currently in South Australia and Southern Queensland, which is looking to better match the requirements of their member organisations with the job seekers who are being referred through the Job Network.

Senator ALLISON—In this instance, it is industry driven?

Ms Sinclair—Yes, it is industry driven in the context of the industry being the Restaurant and Catering Association. Of course, we also refer to ourself as an industry but in the context that we are actually delivering those services.

Senator ALLISON—I should have said employer driven.

Ms Sinclair—Yes.

Senator ALLISON—Do you have something to add to that, Mr Thompson?

Mr Thompson—The market incentives that are built into the Job Network arrangements should motivate the individual providers to identify where there are skill shortages that are preventing people getting employed and, wherever possible, to purchase training using the public funds that they can access to address that skill shortage and get someone a job. We do not know the extent to which competition between providers would militate against them aggregating their demand. By that I mean there might be five providers in a region, none of whom have sufficient demand for a particular type of training to warrant a provider, be it TAFE or a private or community RTO, actually setting up and delivering that training; whereas if they all get together and aggregate the demand, there may be sufficient demand to warrant a provider actually putting it on. We are currently exploring with DEWR, ANTA and the Australian Council of Private Education and Training some pilots to actually have a go at getting the providers to do something together to see if we can make this thing work, in some ways like it used to work when it was all purchased and operated in a completely different way.

On a more systemic level, DEWR publishes quite useful data about skill shortages in the labour market and some of those things that are quite high level. We all wonder what the impact is going to be over the medium to longer term of the diminution of resourcing and the roles and functions of the industry training advisory body structures and networks to inform the VET system about industry needs and industry directions, in terms of both skill shortages and emerging new skills and so on.

I note the committee has received quite a number of submissions from various ITABs. I do not profess to have any huge level of knowledge about how that is going. It occurs to me that they have played a very significant role in informing the VET sector, both public and private, about industry needs and directions. The substantial reduction in the resources available to them is obviously going to have an impact on their ability to do that.

Ms Gill—I would add that it is probably from an operational basis as well. In the past, Job Network has had basic access to the computer system through DEWR, and then maintained its own third party software systems to capture information about job seekers and employers' needs in terms of vacancy requirements. Moving into the next contract, the department is bringing out a new computer system, which is giving us added functionality. One of the features of it is a vocational profile that will be administered with all job seekers. In terms of having a better research base and a knowledge of the skills out there in the unemployed community, that will provide a far better platform for us to do further research and evaluation on and maximise the use of the available skills in the unemployed for matching purposes.

Senator ALLISON—Will that information be fed back to the department?

Ms Gill—The information will be held by the department. We understand that the department is going to be able to use this new computer system to extract information and give Job Network members more valuable information for us to develop our strategies on as well. One of the operational limitations that we have had in the past is that we have had job seekers' details

on our own computer systems so we have been able to effectively match job seekers to the vacancies coming into an individual member's caseload. In the new system, there will be more effective matching between Job Network members. So one of the limitations in referring job seekers, which may have been seen as competition, was actually a constraint of the infrastructure that was in place for our youth. We should get a lot better information about job seeker skills base and the requirements that employers are approaching the Job Network members about and have a far more effective system of being able to match those across providers to maximise the number of people getting back to work.

Senator STEPHENS—Thank you for your submissions, which I found very useful because of the insights they provide to the third contract, as much as anything else. I am interested in something that Mr Thompson has said about Work for the Dole and about the proposal on the future directions of Work for the Dole in your submission. To start there, you talked about the training credits and the idea that there is potential for an individualised placement of Work for the Dole, rather than a project based approach. Is that in terms of a job skills placement or something of the old model, where you place a Work for the Dole participant in a workplace or organisation?

Mr Thompson—A substantial proportion of existing placements are individual, by individual unemployed people being placed in various government or non-profit organisations—a single person being placed with the Red Cross, or something like that. That is going to continue under the new arrangements. The system arrangements have operated so that there has been more emphasis on the mutual obligation aspect of Work for the Dole. You are obliged to do something, so you go to this place to do a placement, whether it is in a project—building something or that sort of thing—or an individual in an organisation. The provider arranging that wants to try to get a good fit between where the unemployed person is and where they might want to go.

The stereotype that is commonly used is a young women that might be interested in working with animals. There might be several placements, including one with the RSPCA, but the system actually works to make it very hard to refer them to that place. Under the arrangements which are nearly settled in discussions with the department and Minister Brough—to the extent possible they will be able to be referred to a place that best matches their needs, wishes, aspirations and so on. So we think it will work better. That, combined with them running around in the training market with a training credit of \$800, once we have sorted out some of the administrative hurdles in it, should enthuse and encourage them to seek some training that complements their experience and increases their chances of getting a job. It remains to be seen whether the training market can shape itself up to deliver to those people. That is why we are talking about that aggregation of demand.

Senator STEPHENS—Ms Sinclair, in your opening remarks and in the submission from your organisation, you noted that some of your concerns may well be addressed in the ESC3. Are there any specific issues of concern to your organisation that were not addressed in the new contract that you are still concerned about?

Ms Sinclair—I think if we were to refer back to the recommendations that we have made in our submission, essentially they are probably the areas that are still, at a fundamental level, not totally reflected under the new active participation model.

Senator STEPHENS—You could perhaps call these an ambit claim in terms of those recommendations. I wonder if your organisation has any specific structural issues or key underlying concerns about the functionality and the future success of the new contract?

Ms Sinclair—Without referring to the recommendations at this stage, I think one of the comments that my colleague Mr Thompson made is relevant in relation to this new model. It is not so much what is not in the model but, rather, how the training sector is actually going to respond to the opportunities that are now presented to Job Network members through these improvements under the employment services contract 3. We know, albeit anecdotally, that in many circumstances our job seekers, both at an individual level and particular cohorts of job seekers—for example, mature age job seekers—have particular needs concerning not only what they should learn in relation to matching them to opportunities in the marketplace but the ways in which they best learn. It seems that the training sector has difficulty being sufficiently flexible to respond to that, given the way in which it is structured. But, as Mr Thompson has indicated, one of the things that we are endeavouring to do outside the framework of the contract is to facilitate dialogue between the various stakeholders to see if we cannot get more flexibility into the structure of the delivery. Unless that actually happens—and we can have a very fine set of improvements—we will still face structural impediments in relation to improving those outcomes for job seekers.

Senator STEPHENS—Your first recommendation about the insurance package for work experience and on-the-job training is an issue that has been raised with us in several forums by employers, providers and schools trying to place young people in the VET in Schools programs. What is the current situation?

Ms Sinclair—We believe it is a threshold issue, again, in order to optimise the opportunities under this new active participation model to get effective placements for job seekers. It is very patchy in relation to how it works in different states and how different employers respond to the issue. There is nothing on a systemic basis that actually works well.

Senator STEPHENS—So you have not negotiated coverage for your organisations?

Ms Sinclair—I might let Mr Thompson talk to that but, on that note, the cost is prohibitive. With the early work that we have done to achieve that on behalf of our members, at this particular juncture we have been unable to achieve an effective outcome for our members in relation to that. However, Mr Thompson has some particular experience in that area.

Mr Thompson—The legal issues associated with unpaid work experience, which is what we are talking about, are complicated. There are questions at common law as to whether people engaged in unpaid work experience are in fact workers or not. There are issues about how it can be structured in such a way that—on a continuum relating to the common law test as to whether someone is an employee—puts them as far away from ‘employee’ as possible. There is only one state that has legislated arrangements to cover people outside the school system to provide them with workers compensation cover and to provide arrangements that secure liability cover for the placing organisation of the student or unemployed person and the employer. That is in Queensland, and it is called the Vocational Education and Training (Industry Placement) Act. Everywhere else in the Commonwealth of Australia, these arrangements have operated informally with no legislative base. The school systems in all jurisdictions, I think, operate

systems that provide some liability cover and more clarity in relation to unpaid work experience. Those systems seem to work for them.

So we have that set of issues. I might add that during the operation of the Skillshare program, when we were counting these things, there was something of the order of 165,000 unemployed people involved in short periods of unpaid work experience, which usually complemented some sort of formal training program. This proved to be an extremely effective means of getting those people jobs. The experience they gained in the classroom added to, as the educators say with pedagogical verisimilitude, doing it in real life. We are not talking about employers who want to make the commitment to a new apprenticeship or to a long-run contract, but employers who are iffy about people but who, once they see them in the workplace, can be more confident about them and take them on. I should add that this should be done with care to avoid displacement or substitution. We know that it is a very effective thing to do to help make those linkages.

The current issue we face is not so much that legal doubt about where they fit on what is called the integrated control test—the master-servant thing. It is not that stuff at all, really; it is about the serious hardening of the public liability insurance market, and a great reluctance on the part of those insurers that have very much shorter underwriting books to take on a risk that might involve the placement of hundreds of people in hundreds of different and various workplaces. They look at it and say, ‘We’re iffy about that liability, so we either won’t write the cover or we’ll write the cover at such huge expense that it will be prohibitive.’

My own organisation does some bulk buying of insurance, including public liability insurance, for our members. We have been doing that since 1983, I think. We saw a 500 per cent increase in the liability premiums associated with that activity. It is an artefact of the state of the liability insurance market, rather than anything else. I think it will be very difficult to resolve.

Ms Gill—If I could just add that, in the process of consulting with members about this submission, the majority of the phone calls I got were about their ability to work with local industry to develop programs that addressed local skill shortages through these types of programs and the problems that they were having because they could not access some sort of work experience. One of those examples was from a provider in Mount Gambier who was looking at assisting job seekers to relocate from metropolitan Melbourne to Mount Gambier to work in agriculture. There was a great response from job seekers and from farmers, but the situation with the local department of labour meant that they had to stop the program because, even though all parties were agreed, they could not do two weeks unpaid work experience as their training to start them in the positions. Without that guarantee and the ability for these employers to view how the job seekers had adapted to working in a new industry, they were not willing to help with relocation and other factors. Initiatives and creativity like that that can help with local initiatives needs some platform in terms of work experience.

Senator BUCKLAND—You’re not advocating they work without pay, are you?

Ms Gill—No. We are talking about on the job training.

Senator BUCKLAND—So where does their income come from? From unemployment benefits?

Ms Gill—They are on unemployment benefits during training—participating in efforts to get them long-term employment, as many programs do. We are not talking about substantial periods of time. In this sort of work experience we are talking about short, focused training with objectives. We are not talking about putting people into positions without goals or objectives in their work experience. It is very targeted work experience, not just churning, and placing people in and out of different placements.

Mr Thompson—And not substitution for normally paid labour.

Senator STEPHENS—I have several other questions I will put on notice.

Senator BUCKLAND—I will put mine on notice too.

ACTING CHAIR—It would be greatly appreciated if you have the opportunity to respond to those. Thank you very much for coming today and for the advice that you have given the committee.

[9.49 a.m.]

BALLAGH, Mr Allan Robert, Acting Director, TAFE, RMIT University

MONTAGUE, Mr Alan John, Manager, Apprenticeships and Traineeships, RMIT University

KLOPFER, Mr Christian, Production Group Leader, Chassis Sensors, Robert Bosch Australia Pty Ltd

ACTING CHAIR—Welcome. The committee prefers all evidence to be given in public, although the committee would also consider a request for all or part of the evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. We have before us submission No. 47. Are there any changes you would like to make to that submission? Are the documents you have tabled here additional documents?

Mr Montague—No, they are all of the documents that we previously tabled.

ACTING CHAIR—Is there anything additional in those documents?

Mr Montague—No.

ACTING CHAIR—Are there any changes that you would like to make?

Mr Montague—No.

ACTING CHAIR—I now invite each of you to make a brief opening statement, and then we will move on to questions.

Mr Montague—Thank you for the opportunity to discuss the recruitment model that was developed by RMIT in conjunction with Bosch. I will briefly introduce the background to the thinking behind this particular recruitment model. Christian Klopfer, the production group leader of RBA, will discuss the potential benefits to industry and the industry perspective. Allan Ballagh, the Acting Director of TAFE, will discuss the broader policy issues and the potential to develop the model with critical mass.

One of the reasons that this came about was that Eberhard Weiss, one of the leading managers from Bosch, was concerned TAFE and the community were unable to provide the training and calibre of people to work in the manufacturing industry to take it forward and to put it on a competitive footing. That was of considerable concern to me, as the Manager of Apprenticeships and Traineeships, and to RMIT, so we decided to take it up and see if we could assist in this process. A factor involved in that was the prospect that some of the positions may be lost overseas and, of course, the residual feeding industries may lose some jobs to overseas people as well. That was of considerable concern, particularly when we have a training culture and the knowledge to support the training with industries such as Bosch. We decided to discuss this further with Mr Weiss and what emerged was some of the thinking that has resulted in this recruitment model that we will go through in detail.

Basically, the recruitment model involves people doing year 12 simultaneously with part of the apprenticeship. Also, they could do a diploma in engineering simultaneously with an apprenticeship, thus deepening the learning curve. RMIT were prepared to place mathematics, physics, English and IT training within the workplace because at RMIT we also have 500 VCE students. This twists the paradigm—not only do we have VET in Schools but we now have VCE in work. This change of the paradigm is a major issue. The opportunity to progress to degrees and further study was also a possibility. RMIT is a dual sector university—both TAFE and university—therefore certificate I to PhD is not beyond the realms of possibility, even though it is a long pathway. Not all recruits were expected to complete an engineering degree; not all may wish to do so, however the opportunity was certainly available.

I will touch on other background to the thinking. Nationally, only 30 per cent of students that leave year 12 go on to university. TAFE and apprenticeships are inaccurately seen as synonymous with second best amongst a disturbingly high number of young people, their parents and sections within the education industry as well. It is a real problem. I can demonstrate in another forum with research I have undertaken both in my master's degree and in the doctorate I am now completing that that notion that it is synonymous with second best is an absolute fallacy, given that the apprenticeships and traditional trades enjoy the lowest unemployment levels of all people in society, including university graduates. With a prominent, capable and ethical employer like Bosch, that is a particularly good pathway for people. We were attracted to that and we wanted to expand it to other industries. We still have plans to do so but would need support.

The labour market in Australia has in the past 12 years become engulfed by part-time and casual work amongst youth—those aged under 25. Half of the people that are under 25 that have full-time employment are in apprenticeships and traineeships. I can support all of this with the academic research that I have undertaken. Only 30 per cent of teenagers are apprentices and trainees—it has basically become an adult training program. Therefore, if adults see it as suitable, why wouldn't younger people, particularly with credible employers? The alliance with Bosch represents an opportunity or a model to provide esteem in this pathway—the esteem that was lacking—and to prevent the Victorian and Australian economy losing jobs overseas due to an educational culture that has resulted in this pathway being degraded. So it had a flow-on to the local supply chain and to social capital being tampered with in the community in many ways, but I am sure that the committee are only too aware of that.

The Bosch culture, along with the German, Swiss and Danish cultures, is at odds with Australian culture in terms of having a balanced esteem for the technological vocational pathway. The model has the potential to develop a clear and tangible pathway to an adult vocational life, in our view. The model changes the paradigm, as I said before, from VET in Schools to part-time year 12 or diploma in work in an apprenticeship. With support and critical mass amongst another range of prominent industries, I think we have a model we can progress and start to send out a different message to the educational community, parents and job seekers alike, to move things forward. In 2002, RMIT had committed to conducting the year 12 VCE but, unfortunately, September 11 came along and there was not critical mass with Bosch, but we still have it as an issue we wish to discuss. On that point I will pass on to Christian.

Mr Klopfer—I thank the senators for the opportunity. I would like to give a short introduction about Bosch. Bosch is a high-tech automotive manufacturer in Victoria, with high-tech products, and is highly automated. We compete globally from our Victorian base. One of

our major strengths and competitive advantages are our technical skills. We wish to protect and develop those skills further. We have over 1,800 employees from 60 nationalities, with a smaller than perceived German influence in our management culture. Turnover has doubled in the last five years. In fact, export has tripled in the last five years, also supported by government programs such as the Automotive Competitive Investment Scheme, ACIS. We are also an RTO and our current intake has been between 15 and 20 apprentices per year.

Why the model? The Bosch German culture is obviously somewhat behind that. Mr Weiss and many other German managers saw a need for this to happen in Australia as we became lead plant for electronics and other key areas of our business. In Germany, 50 per cent of our technicians come from an apprenticeship background. In fact, 20 per cent of our management in Germany, including our chairman, were once apprentices. It is very much in that culture. In Australia we wanted to improve the calibre of our apprentices, meaning their skills, especially technical skills, according to the needs of our products and the equipment we were using to put these products together.

We also wanted to improve the perception of what an apprenticeship is in order to be able to attract higher calibre—higher potential—people in the first place. We also saw, and Mr Weiss clearly explained, the need to bridge the training gap to engineering. We researched and developed a model that would recognise prior, on the job learning and shorten the time required for a degree. In fact, nine per cent of our apprentices have started a degree, with five per cent succeeding, despite the fact that it can take eight years of part-time study on top of the initial apprenticeship.

Bosch Australia want to enlarge their hands-on engineering base to follow what is happening in Europe. We are very interested in internal development and integrated learning, with the outcome, of course, of further developing a high-tech work force through various qualification stages. As a leading manufacturer in Victoria, we also want to promote manufacturing and the automotive industry. We would love to see that grow as a first-tier supplier with our original equipment manufacturers. As to the development of the model, in 2001 I led a department advanced training and continuous improvement program. A technology roadmap—a 10-year plan we developed—highlighted a future skills gap, given the products that were coming and the processes required to assemble those.

We packaged a pathway, as Alan explained, into what you can see there in our submission is a neat, colourful model to help with our recruitment. We spent quite a bit of time profiling the various positions within Bosch so that we could tailor the curriculum to meet the needs of various current and future positions. Together we developed a structure for the VCE diploma and engineering curriculum. Quite a number of hours were spent with various RMIT people, and we are quite thankful for their time and support. They have always been open and that is why RMIT was chosen. We had had previous support for student engineering projects and we wanted to take that further. We already had a well-developed apprentice mechatronics curriculum. In fact, we were the first company in Australia who did—we were the pioneers of that. Importantly, as well, we had quite rigorous assessment criteria to ensure the integrity of the various qualifications stages, especially for the degree.

The benefits of the model were clear to us. It was certainly to attract future engineers through a hands-on apprenticeship leading towards a degree. We wanted to fulfil the need for these technical positions that we highlighted. We wanted to influence the engineering curriculum as

much as we could—certainly there was a limit to that—and offer a defined career path and internal coaching. We have already found that our current apprentices have a high level of productivity—certainly higher for the first six months than with any engineers that we have. The model would help us be prepared for our future technology and would fit with our roadmap. Several non-engineering job levels, which are exit points of the model, would be available for hands-on technical or even engineering roles.

Alan mentioned the situation of September 11. We were about to make a decision to proceed. Bosch and industry froze for some time to see what would be the outcome. We did not go ahead in implementing the model because we had to reduce the intake of our apprentices, hence the critical mass was not achieved. There was also the fact that we would have needed to commit all the students to RMIT. For them to travel to the city once or twice per week would not have been suitable for all. So critical mass certainly was an issue.

In conclusion, Bosch has not implemented the model per se, but the model has been a catalyst for a number of activities, including rebuilding our infrastructure. By the end of the year our infrastructure for apprentice training will have tripled in size. You are welcome to tour the facilities; I invite you to the plant in Clayton. The curriculum now includes a number of soft skills, as we have rethought our implementation of the national training system. Our recruitment drive in 2002 was excellent, using the model as a basis. Parents were involved and it was clearly explained that there would be support. In 2003 we found that it was even better as we grew beyond the model. Bosch continues to support apprentices to become engineers. I think we have seven apprentices studying engineering degrees at the moment.

Mr Ballagh—If I could speak briefly from RMIT's perspective, the sort of pathway that we are talking about is not new. The capacity to progress from VCE through apprenticeships, diplomas, degrees and postgraduate studies is a well-known pathway; it has been a feature of the engineering sector for a long time. What we want this particular project to exemplify is that that in itself is not enough in order to make these pathways visible, understood and trusted by young people and parents. It is still the case that the main pathway that is understood by parents is getting a good score at high school and going to university.

There is a major challenge for the TAFE sector, in partnership with industry and government, to continue to raise the profile of those pathways so that they stand out in people's faces. I think you will agree that the way in which the final visual presentation of this pathway has been presented is quite different from a static one-pager that says, 'If you start here, you can get to there.' I want to emphasise that this is really an active process of engagement. If you look at the elements in the pathway in terms of sectors of education and training, it is the industry sector as an RTO. RMIT were able to bring to the table both TAFE and higher education but also the school sector, because we are a provider of VCE. There is a lot of work to be done, not just in the Bosch context. This work needs to be done over and over again to embed this pathway in such a way that it is understood within local labour markets, within particular industry sectors and within particular companies as a way of enhancing the attractiveness of these pathways.

From our perspective as a TAFE provider, one of the issues for us, which I think is a policy issue, is that we have no way to report and measure what we have done in terms of our contribution to this activity. By and large, our measures are in terms of student contact hours delivered. It is the case in this partnership that we are not even a deliverer of the apprenticeship—Bosch is the RTO. I think there is a need in policy to come to grips with

measuring the broader innovation activity that is required in order to make these pathways really stand up and work, and for us to be able to feel there is some incentive to do that. I just wanted to lay that on the table, that there is a need for a broader way of understanding the engagement.

ACTING CHAIR—Thank you very much for this submission; I found it to be excellent. For me personally it is a matter of great interest. As you say, it is not entirely new; it builds on the existing system, which is one of its strengths. Obviously there are great similarities with the German system, which I am very familiar with. Two years ago, the NCVR put out a report raising the issue of paraprofessionals. Your proposal goes to the question of engineering. As a concept, paraprofessionals goes to the broader questions of identifying access paths for people across all sectors of industry. This model is not just confined to engineering. Would you agree with that?

Mr Ballagh—Yes.

Mr Montague—That is correct.

ACTING CHAIR—We have a major problem in this country with developing those higher levels of skills across a range of industries. In fact, I cannot think of one industry where it is not occurring. When I look at the job skills shortages data that the department produces—you are familiar with those—there is not one industry in which there are not acute shortages at the higher skill levels. Would you agree?

Mr Ballagh—Yes.

Mr Montague—Yes.

ACTING CHAIR—So we are looking at high paid, high skilled, technologically advanced sectors of the economy—that is where our big weaknesses are. In your opinion, could your model be adapted to all the other areas?

Mr Ballagh—The principles are generic and could be well adapted.

ACTING CHAIR—There are some unique aspects of RMIT. You have mature age entry at VCE. It is not a school; it is a mature age entry program. It is a dual sector institution with a long history of vocational education—although there are some serious problems about the interface between the two sectors; nonetheless, that is there. That is not present in all other institutions. Would you see this as a model that only applies to institutions such as your own? How would we develop the necessary infrastructure so that it would apply on a national level? You cannot run a program of this dimension just for one institution.

Mr Montague—You need to use this model—it is a transportable model—and you need to use other training organisations to get by into the model as dictated by the needs of industry. It goes beyond RMIT, and it really hits at the core of what is required in the labour market to stimulate it.

Mr Ballagh—It needs a broker to bring the parties to the table. I think these sorts of pathways can be made to work between stand-alone TAFE institutes, universities and industry. Someone needs to bring the players to the table for the coherent conversation.

ACTING CHAIR—Yes, but that is the state's role, surely—I mean the government's role. The Commonwealth could do that if the Commonwealth was putting the money together. Particularly because these are national—you would expect that they would cross state boundaries, wouldn't you; Bosch does not operate in just one part of the country, I take it?

Mr Klopfer—We are based in Clayton, but we have offices all around Australia.

ACTING CHAIR—Yes, but to do this on a national basis you would need to work with a number of authorities, wouldn't you? Or would you just do it in one plant?

Mr Klopfer—We would do it in only one plant. What exactly is your question?

ACTING CHAIR—My question is: would it be better for there to be national coordination for something like this, rather than it being just at a regional level?

Mr Montague—It would be better to have national coordination. It would be better to run possibly two or three pilots in key industries to start to put the roots down to make this work and also to send out a message to make this work—whether it is biotechnology, health or manufacturing.

ACTING CHAIR—Whatever the industry.

Mr Montague—Indeed.

Mr Klopfer—I would agree on a different basis: it would make more sense on a national level because it would give us more flexibility and it would give those entering into such an agreement more flexibility of choice.

ACTING CHAIR—Equally, given that you want mobility of the work force, you presumably would want national qualifications that could be used anywhere in the country and that would have international recognition as well. Do you think that would be appropriate?

Mr Montague—Absolutely. The higher education qualifications in Australia stand up, and informally throughout OECD countries the trade qualifications stand up pretty well as well. So there is not a great problem with that.

ACTING CHAIR—I am particularly interested in the German concept of the relationship between vocational education and the rest of society. Have you seen change in recent times in Australian attitudes, given that the Australian vocational education system has drawn, at least to some extent, on the German framework?

Mr Klopfer—I cannot see a measurable change or improvement in that, although I think it is often driven in small pockets of industry. But I cannot see a major change.

Mr Ballagh—I have a gut feeling that it is starting to turn, but I have no real living evidence of that, apart perhaps from the fact that demand for some of our middle level programs has increased. For example, there has been a marked increase in first preferences for engineering in 2003 through the VTEC system. That is only one indicator.

ACTING CHAIR—That might also be related to the fact that people are finding it harder to get into university.

Mr Ballagh—It may well be, although in the past there might have been more of a trend for people to seek a first preference in university, with a second preference in TAFE as a consolation prize. But the fact that we are seeing people choose TAFE programs as a first choice is a good sign, although alone it does not tell us much.

ACTING CHAIR—My colleagues have been very indulgent, so I will ask one more question: when are you going to move this into a practical pilot arrangement? That is up to the company, I presume.

Mr Klopfer—The company will not move ahead with the model until there is a critical mass so that we have a choice to start in a soft manner rather than with a big bang. So we would start with perhaps three to five students in the first year and then grow from there.

ACTING CHAIR—When do you expect that will be?

Mr Klopfer—We need the model to be fully supported. If there were critical mass, we would start next year.

ACTING CHAIR—When you say ‘fully supported’ what do you mean? Are you talking about acknowledgment by government?

Mr Klopfer—We need to have developed the full curriculum, not just a model. The full program needs to be completed.

Mr Montague—Can I add that what we need is like companies to run a pilot with Bosch, to give us enough critical mass to put it on the agenda and to start to change the thinking.

ACTING CHAIR—Do you get any money for curriculum development?

Mr Ballagh—Not directly, no. There is a mechanism available to us in Victoria this year in terms of innovation projects. I do not know if you are familiar with that. It was an opportunity to start thinking more broadly about how we might not just measure our outcomes and student contact hours but—

ACTING CHAIR—What about ANTA? Does ANTA provide any money for this sort of thing? I would have thought it would be right within their charter.

Mr Ballagh—Looking at the ANTA projects, there is Reframing the Future and those sorts of things. It may be possible that we can chase something through ANTA as a Reframing the Future project.

ACTING CHAIR—It might be something that we want to ask ANTA about—whether or not it is possible to do that.

Mr Ballagh—I could also follow that up further.

ACTING CHAIR—I would appreciate that. Perhaps you might want to talk to me. As you know, I am across the road from you. I would be interested to pursue that matter with ANTA directly.

Mr Montague—The push of the Senate is to ANTA to actually develop this as a pilot in a couple of states so that we can change the thinking before it is too late and our competitors—

ACTING CHAIR—Have you had any discussions with ANTA about this?

Mr Ballagh—I am part of an enterprise provider working group, which you might be aware has been set up. I have discussed this model as part of those conversations, but I have not pushed it in terms of saying, ‘Give us the money.’

ACTING CHAIR—At the policy development level, have you talked to anyone who can get things done?

Mr Ballagh—Only through that committee, who have put it forward as an example of what can be done. We have not pushed it forward in terms of seeking funding.

Mr Montague—We would be very interested to talk to a key decision maker in ANTA to put this on the agenda.

Mr Ballagh—There is still a sense that some broader conversations are needed in terms of industry partners as well.

ACTING CHAIR—I think you obviously need more work done, but I would have thought that you are entitled to seek assistance to get some of these things in process.

Senator BUCKLAND—Most of my questions will probably be to Mr Klopfer. Did Bosch take the initiative of considering this process as a result of poor responses from the TAFE and university sectors? Was there a conscious decision to do this?

Mr Klopfer—There was a conscious decision to do this. We entered into this relationship on the basis of highlighting a training gap between trades and engineering. We are getting quite good support from TAFE. Many apprentices are going on to study diplomas, and we had an excellent traineeship program going, so there was good support from TAFE. But we found that there was a gap between that level and engineering, and that is where we sought the help of RMIT for the icing on the cake—the engineering component. Then we saw the opportunity to package the VCE, TAFE and engineering together in a complete model, and we thought that we could offer that to our apprentices—offer them the opportunity to go onto that program. We guessed that, given the history, 10 per cent would go on to do a degree. Certainly critical mass, even without September 11, would still have been an issue. RMIT worked with us on the model. We said that by the time students got to degree level RMIT would have to find students from other industries—from a broader base—to participate.

Senator BUCKLAND—How many apprentices are we talking about? I think you said that this year there are less.

Mr Klopfer—There are 15 this year.

Senator BUCKLAND—How many were there in previous years? That would give us a guide.

Mr Klopfer—There have been anything between 15 and 20 per year, so in the last three years the figure has been lower.

Senator BUCKLAND—What is the completion rate of those that you take on?

Mr Klopfer—We find that one may not complete through the four years, so we have a very good success rate.

ACTING CHAIR—That is very good.

Senator BUCKLAND—How do you select apprentices for Bosch? Is it something that you do internally?

Mr Klopfer—That has changed through use of the model—the selection criteria. For example, now we find that most of them already have very good IT skills. Good IT skills, some physics and some maths are things that we would say are a basis—or a selection criterion—and I think all apart from one had VCE this year. So 14 or 15 of them had the VCE.

Senator BUCKLAND—Are you linked to a school directly or do you advertise?

Mr Klopfer—With the model, we used various methods. We went out to quite a number of schools that were interested. We contacted close to 100 schools, and 24 of them said, ‘Yes, we are interested in a presentation about a new apprenticeship model.’ We gave presentations, and I participated in a couple. To get back to selection criteria, as well as maths and physics, hands-on skills and some sort of demonstrated practical ability are included. This year we have started bringing potential students in and getting them to perform some basic practical tasks.

Senator BUCKLAND—How much time do they get?

Mr Klopfer—They get half a day. We had 40 applicants for 15 positions. It is not like an engineering position five years ago—or even now—where you might have 100 applicants for one position. It is not like that at all.

Senator BUCKLAND—There must be a lot of disappointed people.

Mr Klopfer—I must say that over the last three years the skills of those applying have increased remarkably, or we are attracting the right group.

Senator BUCKLAND—That seems to run against the trend of what we are hearing on this committee: young people coming out of schools do not have the basic requirements.

Mr Klopfer—That is probably my second comment: we must be attracting those with the skills.

Mr Ballagh—One of the drivers behind the development of this pathway was the fact that Bosch was finding it difficult to attract the types of young people it wanted to attract into the apprenticeship pathway. It was really a marketing activity aimed at high-achieving VCE students in order to make apprenticeship, as the front end of an esteemed pathway with an esteemed company, look good. Part of it is in how we sell this stuff. Often, people go into schools and say, 'We're here to recruit apprentices.' You want the VET in Schools kids. For a long time we sent out messages like that, subtly but continuously, saying that this is not something you would want to do as a first choice. We have to turn that around and unashamedly say that it is the esteemed beginning of a pathway that leads to a rewarding professional career.

CHAIR—A highly paid career.

Mr Ballagh—Absolutely.

CHAIR—The question of money seems to me to be critical in these issues. That is how we reward people in this society—we pay them.

Mr Montague—It is how we divide wealth in the community. One of the drivers behind this was employment—it was money. It had a qualification pathway and a credible employer. But it is not just the lack of capability of the people coming out of secondary schools; the attrition rates in higher education reaching the parlous level of up to 40 per cent was also of concern. So we are targeting part of those groups as well. RMIT also did some internal and external marketing and put our icon to this project to boost the calibre of the people applying. There are lots of very competent people falling out of university, and this is possibly a pathway that could resolve that to add to the benefit of industry.

Senator BUCKLAND—I am really impressed with it—that is a personal opinion. Does it adapt to adult apprenticeships?

Mr Klopfer—We have 14 with VCE. The one without it came from my production workshop. He is nearly 50 years old, and he went back in because he wanted to do a trade all his life but never had the opportunity to do so in South America. So he has come back in. We have two adult apprentices in the program. The maturity level of the whole first year now, as in the second year, has risen enormously because of that mix. We also have three university returns, and they would be classified as adult apprentices.

Mr Montague—I would like to make a key point on this one. The answer is yes, it does apply to adult apprentices. There is nothing to stop that. If I was in charge of a pilot like this with ANTA, I would direct it to the health industry to resolve the shortage of 7,000 nurses. I would use the nursing traineeship for certificate II in nursing and set about creating relationships in regard to that. I would get the pathway going so they could continue into higher education to resolve some of the nursing issues. That is just one issue with health. This paradigm or model could be developed in that kind of area. It depends on the industry. But there is nothing stopping adults moving into that field, particularly 45-year-old plus males which is another target area of concern. It could be a mix of young people and older people. We could say: 'Right, let's get some buy-in from those industry sectors and employer associations and tell

them that we want to put this on the ground. Let's do some other education processes and get a good recruitment model like Bosch used to make sure you get the outcomes you want so you aren't wasting public money.' That is an example of how this is a transportable model.

Senator ALLISON—I am bursting to say that I think you need a new name. It is time to move away from apprentices and trades. This seems to be a whole new category of worker, and that might help in schools with teachers who think of trades in an old-fashioned way and as technologically backward.

Mr Montague—I totally agree. I wrote a paper about high technological traineeships that I submitted and that may have been circulated. In that I referred to the new nomenclature as Australian cadetships.

Senator ALLISON—I rather like Senator Carr's 'paraprofessional.' How would this work at a school level? I can understand RMIT being able to work with such a scheme, but if you had just a handful of students in a high school or college opting for this I can imagine that the timetabling difficulties would be horrendous. Have you worked with ordinary high schools to work out how they might adapt to such a program?

Mr Montague—My academic research when I was looking at the blockages to secondary school students moving to apprenticeships and traineeships showed that the timetable is too rigid. This changes it from VET in schools to VET or VCE in work. It completely changes the paradigm. If schools wished too fit into this, they could send one of their teachers with some funds from an organisation to teach English at an organisation like the Austin hospital in Melbourne, the Royal Melbourne Hospital or Bosch. They could say, 'Let's put some of these teachers into industry to teach physics, IT, English or mathematics.' These are not part-time apprenticeships: it is more or less four days a week, with possibly 1½ days spent on other studies—whether it is diploma or degree level—as they are progressing with their apprenticeships. The prospect is to deepen the learning curve and give people money and an esteemed pathway. As for the age group, we are very keen on youth and very keen on older workers as well.

Senator ALLISON—This committee was very impressed when it did its inquiry into the education of gifted children and found that some schools offered acceleration—in one case right through from year 7 to year 12. I think that is a very exciting model, which it seems could also fit with what you are doing. In other words, every student could say, 'I want to do year 7 English, but I'm ready for year 9 mathematics.' Would that sort of model help in your case?

Mr Montague—Absolutely. With competency based training, when you see people are capable in a field and capable from an educational or ethical perspective in a component of the training, you can say, 'Yes, you are capable in that; let's move on.' This would be very good for gifted and capable people to move forward quickly to get their qualifications with good training. There would be no problem with that. It fits in with the gifted concept.

Senator ALLISON—Congratulations. That is fantastic.

CHAIR—Thank you very much for talking to us today. That has been very helpful.

Proceedings suspended from 10.29 a.m. to 10.50 a.m.

SMILLIE, Mr Robert John, Council Member and Representative, Chief Executive Officers Council of Victorian TAFE Association

ACTING CHAIR—I welcome our next witness, representing the board of TAFE institutes. The committee prefers all evidence to be given in public, although the committee would also consider any request for all or part of the evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. Mr Smillie, I have your submission here, submission No. 61. Are there any changes you would like to make to it?

Mr Smillie—No, not at all, Senator.

ACTING CHAIR—I invite you to make a brief opening statement, and then we will move on to questions.

Mr Smillie—Thank you for the opportunity of speaking to this particular committee. The Victorian TAFE Association Chief Executive Officers Council contains representatives of all TAFE institutes in Victoria, including those that are included within the university sector. I would like to address a couple of issues that are in the paper I prepared for you. These are the key issues from the CEO's perspective. The first issue I would like to highlight is the concept of a skills ecosystem. A lot of recent research into vocational education and training starts to define clusters of high-, medium- and low-level competencies within particular industries as being part of a skills ecosystem. It points out that high-skill ecosystems generally provide significant investment outcomes, but fail to generate wider employment outcomes. It tends to be the lower skill ecosystems that generate greater employment numbers. The argument is that, within each industry, a range of low-, medium- and high-level competencies and skills are required. Some industries need more at the lower end; some need more at the higher end.

The focus within the TAFE sector recently has really been on entry level training, which is at the lower end of the skills ecosystem. There is emerging evidence at this point in time that the middle and higher levels of skills are needed to drive industrial development. We believe that current funding models and current directions of TAFE policy are not adequately taking into account the need for the higher and middle levels of skills within those skills ecosystems. We believe that research is needed to identify a broad mix of initiatives to meet the emerging needs of all industry sectors and at all skill levels, and to generate a better fit between the output of TAFE institutes and the skill levels required by industry. We believe that current funding models are driving institutes towards the lower end of those skills ecosystems.

The second key issue I would like to highlight is the concept of employability skills. Recently there has been a lot of attention on behaviours that underpin work force skills. We believe significant additional research is needed to identify relevant skills related to engaging in the world of work—the workplace, people in the workplace and work practices. We believe those employability skills, once clearly identified, can assist to provide a greater competitive edge as we move into the future. There is an opportunity to embed these skills not only within VET in Schools, but also in training packages within the vocational education sector. We are aware that research is currently taking place in this area. We believe it needs to be sped up, and that more of it needs to occur. We believe these employability skills are critical to make our courses as relevant as they can be to industry.

The next key issue is the industry training bodies and industry training advisory councils that exist at the national level and the state level across the country. They have been reviewed significantly in the recent past, and their activities have been curtailed by finances. TAFE institutes greatly value and require consistent, accurate information on industry training needs. Quality, consistency and accuracy of advice are currently lacking, in our opinion, and regionally specific information is currently lacking. We also believe that TAFE institutes are in a prime position to add to this valuable data within the VET sector Australia wide, but we have limited resources to carry out the task and we are really not included in decision making at that level about national industry training needs. So, there is a lot of data sitting out there in TAFE institutes that really is not incorporated in the national body of information that is available. There are no easy answers to that whole area, but we believe that significant effort needs to be put into a proper process of identifying industry training needs to create a better fit between the output of TAFE institutes and the requirements of industry.

Another key issue for us is the public perception of TAFE within Australia. We believe the public perceives TAFE to be the poor cousin of universities. We believe the community celebrates the universities and takes its TAFE institutes for granted. The immense value in creating and maintaining economic and social sustainability in Australia that is provided by the TAFE sector is partly overlooked within our community. We see ourselves as an equal but different partner in tertiary education in this country, at least equal in importance, and we really believe there is need for status building promotional activities to be deployed across this country to make TAFE a real and viable alternative to people entering tertiary education.

A significant component of the difficulties that we face within the TAFE sector is in the cost of training and funding of TAFE institutes. There has been research in recent years that has indicated that at the Commonwealth level there has been a significant decline in funding flowing into vocational education and training since the middle of the 1990s. Over the same period, the state's share of VET funding has declined slowly in real terms. That is certainly a Victorian statement and I believe it is sustainable Australia wide. I am not sure of the complete reason for the Commonwealth significantly reducing its input, but one thing that is driving our unit cost down is the drive towards efficiency indicators over the last few years to make the system more efficient. We have no argument with the need for the taxpayer to look for efficiency in the delivery of vocational education and training, but we do believe it needs to be counterbalanced by effectiveness indicators that look at the relevance and quality of and access to education across this country. We believe there has been an overemphasis on efficiency within the sector and a lack of emphasis on effectiveness within the sector. This is driving down unit costs and, in our argument, driving down the quality of what is being delivered in this country.

Concepts related to value—value implies a balance between effectiveness and efficiency—need to be researched so a true judge of value to the community and value to the taxpayer is applied to the TAFE sector. We are quite happy to be judged against such value performance indicators, but we are extremely concerned at the driving down of unit costs in the drive towards efficiency. In Victoria, we believe it has reached the stage where we have been basically cut to the bone and quality is being impacted upon because of funding policies. In making that statement, I stress that we believe both the state and the Commonwealth government have to look at this issue because both have contributed to that reducing in real costs.

Another key issue related to meeting the costs of training is the student contribution to costs. Within this state, the actual amount paid by students to enter a TAFE institute has remained relatively static for the last five years. We acknowledge that there has been interest shown in or discussion about a HECS style system and how it could apply to TAFE institutes. The Victorian TAFE institutes would be happy to engage in a discussion on how such a system would apply within the VET sector. However, we would want to ensure that, if such a thing was promulgated within the TAFE sector, it did not provide a barrier to participation by those that are disadvantaged in their access to vocational education and training—that is a significant issue for us. A large number of our client base would, we believe, be alienated by such a system and it would have a significant impact upon access.

There is another issue as far as student contribution to costs is concerned. Currently within this state there is the situation where if we offer a particular course in a particular institute funded by state government funding and we fill all the places available for that funding, we are not allowed to offer it on a fee for service basis to those people who come next in line. We believe such a system is either operating in or being considered for universities. We believe the same system should be in place for the TAFE sector itself. In our opinion, we have large amounts of unmet demand in a range of areas that we are unable to meet once state government funding and the small amount of Commonwealth funding runs out.

In summary, I believe that what I have said is sustainable. I have undertaken significant studies of comparative education, which is the study of education systems across the world in the vocational education sector, and Australia by any comparison has an excellent TAFE system. It is the envy of many developed nations—I do stress developed nations. It needs to be better valued by its community through status, and it needs to be better valued by government through greater recognition of its economic value and greater levels of resourcing.

ACTING CHAIR—What is the relationship between your organisation and TAFE Directors Australia?

Mr Smillie—TDA is a national body. Most institutes in this country are members of TDA. Bendigo Regional Institute of TAFE, which is my institute, certainly is. There is a good working relationship between the Victorian TAFE Association and TAFE Directors Australia. TDA is a national body; VTA is a Victorian body.

ACTING CHAIR—You are not a branch of the TDA?

Mr Smillie—No, definitely not.

ACTING CHAIR—You are quite separate?

Mr Smillie—We are a totally separate body.

ACTING CHAIR—Different personnel?

Mr Smillie—Totally different personnel—absolutely.

ACTING CHAIR—Different policies.

Mr Smillie—The VTA was put in place to have an impact upon state government, to lobby state government on matters related to Victorian TAFE institutes and to provide a collective voice for TAFE institutes within Victoria. As I am sure you are aware, the institutes in Victoria are separate statutory authorities and extremely independent. There is no consolidated TAFE system as exists in New South Wales. So the VTA provides a consolidated voice for a whole range of independent organisations.

Senator ALLISON—I pick up on the need for status building—we have heard about it many times already in this inquiry. How would you go about doing that? To what extent is the difference in student funding—that is, HECS places—a factor in the way the TAFE system is perceived, if at all?

Mr Smillie—If I could address the latter first, I do not see any great link between HECS or no HECS as part of the status argument at all. I do not think it has an impact. If it does, it would be very minimal. As for issues related to status, there are a number of reasons why the TAFE sector has a lower perceived status. One of them is that you can easily define primary education, secondary education and university education but it is very difficult to define TAFE; it is all things to all people. Any time government has a need in a certain area it is suddenly pushed within the TAFE portfolio. TAFE is everything so it has a fragmented image.

That fragmentation starts at picking up the drop-outs or the push-outs from the high school sector who cannot get on in traditional high schools, and it goes right up to high levels of training at the higher skill ecosystems, across myriad industries. So people look at us from different perspectives and they do not have a consolidated view of TAFE; it is almost everything. If you ask an average member of the community what the average TAFE student is, they will probably say that it is a 15- to 17-year-old male who is doing something in the trades area. The actual statistical average TAFE student in this country is male, but only just; he is just under 30 years old and is doing a business and technology course. So the reality lags behind.

Senator ALLISON—I think we understand that the perception is wrong. My question is: how do we fix it? Are you suggesting that we change the mix or change what TAFE does?

Mr Smillie—It comes down first of all to getting some consolidated image and a publicity campaign to promulgate that image, to explain to the community that TAFE is more than just the stereotype they view and to celebrate the achievements of TAFE. We have tremendous achievements. People who have graduated from our organisations have achieved enormous amounts and contributed greatly to our economy. If we celebrate and publicise those achievements we can give the public a better understanding of what a TAFE institute is—that it is not just the lower level, the lower skills in the ecosystem that I talked about, but the whole gamut. Also we should have some indicator of the degree of input into the economy within Australia—some indicator of its contribution to the success of the economy—and promulgate that success.

Senator ALLISON—Whose role would that be?

Mr Smillie—Government per se, both state and Commonwealth. I believe that government needs to invest in its TAFE sector and in the image of the TAFE sector to encourage more people at the higher skill levels and for the higher levels of courses to enter the TAFE sector to get that hands-on training that we specialise in.

Senator ALLISON—You commented that current funding models are driving the low end of training. The committee heard in other states—in fact we had complaints from employer groups in particular—that the flexibility offered by the low end, as it were, of training that was more able to be modelled according to the employer’s needs is now going back to the TAFE sector and that this is a bad thing because, instead of outcomes, we are getting many more curriculum based programs. Would you like to comment on that?

Mr Smillie—Absolutely; I would love to. If you scratch the surface of almost any small business they will bring up concepts of flexibility or lack of it within the TAFE sector. Researchers need to define what they mean by that. I will answer you by looking at a particular model. Traineeships are designed to be flexible, to meet the needs of industry—particularly middle to smaller businesses. When a small business takes on a trainee, they get a subsidy from government to help pay the salary of that particular trainee. The obligation on their part is to carry out training and to provide an RTO to train the person as well. But in today’s business world, the minute that that trainee is on the shop floor, that person must be productive for industry—absolutely from day one. The old days, when there was a comfort zone in which you could carry people, are gone, particularly within small business. What you have is a concentration on productivity from that individual. So when the TAFE institute comes near the small business and says, ‘Hey, how about our time with the person to provide the training,’ they say, ‘Can’t you find some way to provide the training while the person is on the shop floor being productive?’ That is what they mean by flexibility.

The TAFE institute is saying, ‘We have a qualitative, quality of education responsibility to that particular trainee to make sure that that person goes through a certain curriculum in a quality manner and that we equip that person with the skills required.’ There is a fundamental contradiction between the time that we need to do that and the time that the employer needs to make the person productive on the shop floor. That is why the TAFE sector is being accused all the time of being inflexible. Possibly to a certain extent we are. We probably err too much on the side of quality and do not give enough in the way we deliver training. But we are professional educators and our focus is on quality. We are not in the business to make a profit. So you get the contradiction between those two, which creates those concepts of inflexibility. I really believe that research is needed on how on-the-job training delivery models can work to meet the needs of TAFE from a quality perspective and meet the needs of the employer from a productivity perspective. I do not believe that we are anywhere near that. But employers would be happy if there were no training component in the traineeships; therefore, they would get maximum productivity. As a generalisation, I would make that statement; it is not all. But I come across this all the time in carrying out my job. You scratch the surface of it and you are straight into that argument: what is the balance between productivity and quality for the employer?

Senator ALLISON—Thank you for clarifying that.

Senator BUCKLAND—Mr Smillie, you said in your opening remarks that employability skills are critical. We have heard this from employers; we have heard this quite a bit on this committee. Where does your association see that those employability skills should be developed? Are they something that you learn at home or at school? Are they part of what TAFE should be teaching young people? I stress ‘young people’ as opposed to people of a more mature age.

Mr Smillie—I consider that it is all of the above, to be quite honest. There is a very strong movement towards delivering vocational education courses within our high school sector. The vocational curriculum within high schools is an ideal place to embed employability skills. It is an excellent place to start. But it also needs to be embedded in almost all entry level TAFE courses within this country, similar to the way that the Mayer competencies in the late 1980s were embedded in a whole range of educational and training programs.

As well as being CEO of the TAFE institute, I do a small amount of teaching in the management area, just to keep my hand in. I am dealing with a group of people in their late teens and early 20s who are out of high school and who are doing a part university and part TAFE course with my institute. They have absolutely no idea of the attitude that is needed to survive in the workplace. You try to get across to them those things, but they do not even think that way. They do not understand it. That needs to be promulgated from high school all the way through so that when you turn out a person they have not only industry specific skills but also the attitude and approach that is going to make them an employable person.

Senator BUCKLAND—What are your views of what employability skills are? I ask that question because there seems to be a fair degree of flexibility in identifying these skills. For instance, at the roundtable we had yesterday I raised with one group that you hear a lot of talk on late-night talkback radio about the value of training in fast food outlets. They do training to prepare you for work life. They sell the programs on that; they get young kids in on that idea. You turn up for work and you get the idea of occupational health and safety and working to a regime. That was not entirely endorsed by the group yesterday, I have to say. In fact, I do not think that we got an endorsement at all. It would be helpful for this committee to understand what employability skills are. I know what I see them as, but not everyone agrees with me apparently, from what I have heard. I would be interested in your association's views on that.

Mr Smillie—Yes, Senator. That is a very difficult question. There is no easy answer that I could possibly give you. I think a significant amount of research needs to be done to define an acceptable definition of employability skills within the Australian context. Certainly, from my perspective, the world of work is changing constantly. Skills related to being multiskilled, multipurpose and infinitely flexible in the workplace is one particular area. Another area is culture and cultural difference, because there is an enormous amount of diversity coming into the work force. Another area is the significant increase in the employability of women in non-traditional areas. We have found that a lot of boys have difficulty dealing with that in a workplace. That is just a cultural issue. Earlier I mentioned concepts of attitude and being able to walk into the workplace and know you are part of a productive unit and that, if you do not carry out your particular component, the entire continuum will not work. Other than saying that, I think research is needed to better define it. It really is about orienting a person's thinking towards the reality of the modern workplace they are expected to perform in. I am not sure that completely answers your question, Senator.

Senator BUCKLAND—I think it is something that has to be developed. Maybe someone needs to look at it in more detail and come up with criteria for defining employability. Chair, that is all I had to ask at present. The rest of my questions really go to the self-esteem of TAFE, and perhaps that is another issue.

Senator STEPHENS—Mr Smillie, you mentioned in your submission the legislation currently before the parliament allowing TAFE to offer degree courses. The issues you identify

are differentials in funding, administration and reporting and how those issues will need to be addressed. Can you provide us with some background information as to why the Victorian government has gone down this path? What is it hoping to achieve?

Mr Smillie—It is a topic that is pretty close to my heart. I think the Victorian government and the minister should be applauded for the initiative they have taken in this regard. It has the unanimous support of Victorian TAFE institutes. It is long overdue and I think it sets a precedent that all states should follow. As I said, the minister should be congratulated for it. I am not deliberately trying to be critical of universities, but the argument is essentially that, when you talk about flexibility within the TAFE sector, and if you look at the same issue within universities, a high number of employers would indicate that the currency and relevance of a lot of the content of some university qualifications are not quite what they could be in today's world of work, particularly if you want a person to graduate with employable skills to contribute to productivity et cetera. They would argue that the TAFE style of delivery, where we concentrate not only on the knowledge to do something but on the skills to translate that knowledge into action and production, which is the focus of TAFE, is a philosophy that should be applied to a range of courses within the higher education sector at degree level.

I think large elements of industry would argue that universities are not picking up that agenda rapidly enough. TAFE are really saying, 'We are being inundated with demand from employers who would like degree level training in vocational courses they believe universities are not providing.' There is unmet demand out there, so essentially we are moving to provide a product that is in demand in a range of areas, a demand that is not being met by the universities themselves. TAFE can do it cheaper in unit costs—we have proven that consistently—and we believe we can do it more practically and with more focus on production and employable skills. The key thing about the TAFE sector itself moving into degrees is that we are not trying to compete directly with universities; we are only moving into areas that are defined as areas where there is unmet demand and the university product does not meet the needs.

Senator STEPHENS—Are those areas defined in that act?

Mr Smillie—No. If I believe there is a niche that my institute can get into, I need first of all to make application to the minister to get acceptance that it is appropriate for us to move into that area. I then need to identify the resources to develop the curriculum. That process of applying to the minister has not been defined as yet, because the act is still going through parliament. The next step will be to develop the ground rules for the accreditation process of the programs themselves. Just in my institute, there is significant demand for degrees in information technology networking within the Bendigo area. The university product in that area focuses on software and software packages, but what industry wants is people with extremely high levels of skills in joining computers together and making them communicate. My institute specialises in that at diploma level. We do it better than anybody else in Bendigo, including the university. All we want to do is move to the next level and meet industry's needs.

Another key area is hospitality management. Hospitality management really is hands-on stuff. The university product is very theoretical in its basis. The TAFE product—and we again go to diploma level in that regard—is a hands-on management degree for a practitioner within a large hotel, a resort or something of that sort. It looks at everything—making things work in the kitchen, front of house, reception. It is hands on. Industry is crying out for that next level. Universities, in my opinion, are not supplying that, so there is unmet demand, and there is a

niche. While being strongly supportive of degrees within the VET sector, I do not believe we should get clouded in our vision of what we will do with them. They will only ever be small in number in niche areas. Our bread and butter is the paraprofessional level—the low-, medium- and high-level skills that I talked about earlier at the TAFE level—and we should not lose sight of that, because that really is our contribution to Australia.

Senator STEPHENS—Thank you.

Senator ALLISON—Regarding employability skills, I am interested in how successful you are at inculcating the students you deal with personally. How would you suggest that teachers might change the way they teach or schools might change the way they operate in order to do this at a much lower level?

Mr Smillie—There are two ways, in my opinion, that educators can involve themselves in that process to promote employability skills. The first one is to take the theory, the knowledge and the skills they are imparting to the students and contextualise those into a practical environment that is understood by the students so they can see their applicability. I do my teaching in management within a scenario related to a fictional industry organisation. Everything the students do, everything we discuss and all the assignments they do relate to how they would apply skills and knowledge within that context to make something happen. You are really trying to contextualise the entire thing, so they are constantly thinking not just of the knowledge but how they must use it in the real world. That really has to be the push. Regarding the second way you do it, within my institute 83 per cent of all students have a full-time or part-time job while studying with us. That is pretty typical of most TAFE institutes. You encourage them not only to study but also to gain experience in industry, bring that experience into the classroom, and talk about the reality—again, the contextualising of knowledge and skills.

Senator ALLISON—You cannot do that with year 7s, unless they do a paper round.

Mr Smillie—No, VET in Schools is taught essentially in grade 11 and 12 in high schools. There are industry delivery models currently in the VET in Schools sector where students have industry experience as part of their curriculum, and that is where you would do it. The second thing you would do is bring industry experts into the classroom to talk about the reality of how you apply this within industry. The third thing you do is employ teachers from industry to teach it. That is where, in my opinion, high schools could do a little bit better than they are currently doing in vocational education and training.

ACTING CHAIR—There are a couple of points we have raised through this committee on numerous occasions that I am sure you are familiar with in terms of the last report *Aspiring to excellence*. One issue that was concerning us was the level of qualifications for vocational education teachers in this country. In terms of your institute what progress has been made on employing persons who are qualified as teachers?

Mr Smillie—The short answer to that is: not a lot. But there are reasons for that. As you are probably aware, the Victorian government is developing a TAFE development centre within Chisholm Institute to look at exactly this issue, to start defining what is a TAFE teacher, what qualifications they need and what is appropriate training for them. Within my institute, if you go into high schools or indeed, to a certain extent, into universities, the focus is, firstly, on

employing a teacher and, secondly, on employing an industry expert. It is probably a little unfair of me to say that about universities. There is a bit more of a balance there.

ACTING CHAIR—Your business is providing training—

Mr Smillie—That is right.

ACTING CHAIR—yet you do not provide training for your own teachers.

Mr Smillie—We do, Senator. It comes down to what level you provide and how much you provide.

ACTING CHAIR—What recognised pedagogical qualifications do your teachers have at the moment? Diplomas of education and various other things used to be customary. You could not get a job unless you had those, and your tradesmen went back and did all sorts of teacher education programs.

Mr Smillie—Yes. As I was saying, in high schools the emphasis is more on being a teacher and less on being a person who is an industry expert; in TAFE we put being an industry expert as No. 1 and being a teacher as No. 2. This is fundamentally the issue you are getting at. We try to get people who are at the leading edge of what is in industry to pass on their skills to students, and then we try to equip them with the teaching skills to be able to pass those on better as time goes on. We have an initial qualification, which is the certificate of workplace learning and assessment.

ACTING CHAIR—That is the 40-hour one, isn't it?

Mr Smillie—No, the certificate course is about 200 hours or 300 hours. There are individual modules in it that are 40 hours. This particular course is being truncated enormously by some deliverers of training.

ACTING CHAIR—That is right. So they can get that certificate with only 40 hours of tuition, can't they?

Mr Smillie—No, a person who is not a trained teacher could not.

ACTING CHAIR—With an RPL?

Mr Smillie—A person who is not a trained teacher could not. If that occurs, I think the auditors should go into it; the auditors should go into any provider that does that. I do not know of any that have done that. That Certificate IV is the initial qualification. There is a diploma that goes with that, and it articulates into degrees. We encourage our staff to go through that path, but the difficult problem we have—and this is being addressed by the TAFE Development Centre here in Melbourne as a government initiative—is that we are trying to develop our own TAFE degree level programs in teacher education with the certificate and a diploma nested in it for delivery through flexible learning within TAFE institutes and by TAFE institutes for their staff. We hope to be in a position to take people on and then, through on the job action learning, take them through that pedagogical program to get them to the level you are talking about. I agree with where you are coming from: there is an issue.

ACTING CHAIR—Thank you very much for your evidence today. It was much appreciated.

Mr Smillie—Thank you for the opportunity.

[11.24 a.m.]

GOVE, Mr Keith Richard, Manager, VLESC Secretariat, Victorian Learning and Employment Skills Commission

LAVER, Mr Peter John, Chair, Victorian Learning and Employment Skills Commission

ACTING CHAIR—Welcome. The committee prefers all evidence to be given in public, although the committee would also consider any requests for all or part of your evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. We have before us submission No. 64. Are there any changes that you would like to make?

Mr Laver—No.

ACTING CHAIR—I now invite you to make a brief opening statement.

Mr Laver—Thank you for the opportunity to appear here. We are very proud of our vocational education and training system in Victoria. There are over 600,000 enrolments in the system at the present time, delivering 104,000,000 student contact hours last year. Of those, 80 per cent are government funded and 60 per cent are delivered in TAFE. The total budget is \$2.2 billion. Of that, a little over half is funded by government and a little under half by employers; individuals account for about four per cent of it. I mention as an observation rather than a complaint that Victoria has 27 per cent of the vocational education and training enrolments in Australia but receives only 22 per cent of the Commonwealth funding for that area. The submission canvasses a number of the current issues that are before the commission, but as it does not actually follow the terms of reference I thought that I would briefly address each of those in this opening statement.

Areas of skill shortage are a major part of our agenda, and I am hoping we can work with the Senate committee to develop something mutually reinforcing as far as our work is concerned. We have done a lot of work on this area, and a lot of it is on the Department of Education and Training web site, to which I have the reference if anyone is interested. I will not be going into the details of what reports are available, but a lot of work and research has been done on industry size, growth prospects, employment numbers, age profiles and skills intensity. Skills intensity is something that interests me a great deal because while we have fairly good figures on how many people hold different types of qualifications in different industry sectors I do not know that we have a very good fix on what the ideal relationship might be on those types of things. As a consequence, I think the ideal profile of skills is something we are starting to interest ourselves in. It could be quite interesting to do some international comparisons and so on, to find out, for instance, whether in our construction industry we have twice as many or half as many qualified people—whether we are, in fact, performing at an internationally competitive level in those industries.

In Victoria we are also very interested in new and emerging industries, particularly ones that are not easily covered by the existing ITAB system. In the last couple of years we have established 31 Local Learning and Employment Networks, which are also contributing to providing a regional flavour for our understanding of what skills needs might be. That was missing a little bit with the centrally located ITABs, and even though the LLENs—the Local

Learning and Employment Networks—were basically established to address the problems of young people they are starting to become a very useful mechanism by which we understand what is happening in the regions in Victoria. The cutback of federal funding to the ITAB system was, of course, of considerable concern to us. It has meant that we have had to reorganise ourselves in terms of industry advice. The state government took the decision that it would not replace federal funding, so basically there has been a 40 per cent reduction in ITAB funding in the states.

However, we had already recognised that there was a problem in that area and started a project to look at how ITABs should operate. When the federal budget was announced last year, we had to reorganise our study. I will not say that we are trying to make a virtue out of a necessity, because there are probably not enough resources there, but we have restructured the way in which industry advice is being provided and taken back into the department and the commission a fair part of the research function. We have now centralised a lot of the research they did, and we are using the remaining ITAB system to validate the research, rather than having lots of different islands of research. It is early days, but the early indications are that this can be made to work, although we are also aware that ANTA is reviewing the national ITABs and the whole thing is a little up in the air.

We had a fairly large number of ITABs in Victoria, and one thing that will happen is that there will be mergers between some of them, and one or two might even disappear. I think ANTA is doing the same thing. They are trying to reduce 19 to seven: I think that is the target figure. I do have some concern that the alignments that are being talked about federally and the alignments that are being talked about in states are different, and so we will not have an ideal system—which would be a federal system of industry advisory bodies that have a national approach, with a number of different states contributing. That is an area of concern that I am happy to talk about further.

In terms of effectiveness of programs, I would have to say that we are proud of our system. It is working reasonably well. It can always work better, and that is what my commission is about—change. We want to see as much emphasis put on the benefits of vocational education as on the benefits of higher education, shifting the community away from the attitude that vocational education is a sort of second choice to the concept that it is as valuable as higher education.

With regard to industry strategies, we continue to be disturbed about the very patchy performance in some industries—especially small business—in terms of attitudes to training. We are trying to do what we can to engage there. As a result of a study we did in the manufacturing industry, we recently appointed six industry liaison agents, who basically go out to small business to tell them what programs are available. It is really just about acquainting them with what is there.

However, there are a number of factors working against us: the privatisation of government enterprises, the very large shift to part-time work and the fact that the stock market has such a short-term outlook on these things. I do not think any company share price would ever go up if a company announced they were going to double their training budget—you might almost argue that it would go the other way. I think that somehow or other we have to sell the benefits of training more widely within the community. There are a lot of changing industry structures, with in-house activities being contracted out to specialist organisations and, of course, the

growth in labour hire companies, who are not renowned for the investment that they make in training.

As far as the Job Network is concerned, we have only tangential association with it, but I just observe that the intent of intensive assistance under the early Job Network programs was that more training should be funded. In fact, I think that most of the Job Network providers have found it necessary to use their intensive assistance money to run their organisations, and so the amount of extra training that has taken place there is fairly small.

I have already mentioned ITABs in relation to strategies to anticipate future needs. I think high quality, well-resourced ITABs will save the government money, because they will provide training that is needed and required and that is of high quality, in that if you have half-baked advice you will probably end up wasting resources. Regarding consultation arrangements, my commission is an example of the sort of consultation arrangements that go on. It has two employer representatives and two union representatives and a few others. It is an area where we can actually see the total picture as far as the different parties are concerned. I am happy to take any questions.

ACTING CHAIR—Thank you very much. Would you say that there are skills shortages in Victoria at the moment?

Mr Laver—The current assessment is that there are shortages in a number of areas. On the web site I referred to there is a paper that has calculated those. There are three different types of shortages. There are national shortages in some areas—nurses and so on. There are some areas where there are state shortages that may not be national shortages. Probably the trickiest ones are where there are regional shortages. We hear a lot about doctors who will not go and work in the country, but there are a hell of a lot of other professions who will not work in the country. For instance, in some of the booming regional areas there are major shortages of metal tradesmen. They cannot get metal tradesmen who want to go and work in some of these areas, and this is a concern. I think a system is starting to develop that will understand those better.

A major project we have on at present is trying to get a more formal method of assessing where the priorities for funding should lie. In other words, rather than having a sort of squeaky wheel approach to resource allocation, we are trying, in a fairly systematic way, to work out what contributions to gross state product various industries make, what their skills profiles are, what their age profiles are and what the turnovers and the like might be—and I think we can address them. But there are certainly some areas, and we can quantify them—there is a document there, although I do not have the list.

CHAIR—I will not ask you for that sort of detail; that is not my point. We have the Commonwealth department's submission here, and at the back of that skills shortages are listed nationally.

Mr Laver—That is the table I was referring to.

CHAIR—Is that a Commonwealth document?

Mr Laver—I think a lot of the things came from the department of workplace relations.

CHAIR—They are detailed in the DEST submission. My point is this: where does responsibility lie for dealing with labour market issues? Given your experience, in terms of the distinguished record in involvement in a range of national bodies, where do you think responsibility lies vis-à-vis the Commonwealth and the states on these issues of labour market work force planning?

Mr Laver—I think my experience with work force planning is that whatever you do is going to be wrong, particularly with the lead times involved in training. I would think that where there is a national shortage the Commonwealth should take a considerable interest. Where there are state and regional shortages I would think that the state probably has the main responsibility and, in many respects, the commission I chair is probably the clearing house for understanding those and developing the way in which they might be addressed. Clearly, the approach to be taken is different in different areas. Sometimes it might be a shortage of training places; sometimes—and, in fact, increasingly for some things—it is a lack of interest in going into those industries from young people. I think there has been a 31 per cent drop in the number of people in engineering skills training over the last five years in Victoria. That is a very worrying situation.

CHAIR—That is repeated across the country. I just noticed that in each of the tables in the appendices to the submission the national shortage identification is apparent across all the professions that are listed. There are some areas of teaching where it is not the case, but by and large it is across the professions. In the trades area there are national shortages across just about every industry, with the exception of printing. There seems to be a mixed message on IT. Isn't that an argument, given your criteria, that the Commonwealth should be doing more with regard to the provision of the infrastructure to address skill shortages?

Mr Laver—I certainly think that where there are national shortages it is clearly a national problem. I would like to think that the Commonwealth and the states could work more closely, with the states having the major responsibility for funding vocational education. Clearly they do have a role, but I do not want to get into the usual Commonwealth-state funding arguments. Clearly I would have hoped that the Commonwealth might have seen that we have a countrywide problem in some of the areas that you have mentioned.

CHAIR—You say there is a long lead time for a lot of these issues. The problems in nursing and teaching in the professional area are matters that we have raised in this committee. I have raised them for many years.

Mr Laver—Yes, I am aware of that.

ACTING CHAIR—We were told for many years that we were talking through our hats. It is not as if the sector is unable to identify emerging difficulties. There is clearly a political issue here about whether or not resources are allocated.

Mr Laver—Yes.

ACTING CHAIR—How do we get a better fix on that; how do we get a genuinely objective assessment of where we think the country is likely to need resources to be deployed?

Mr Laver—We are hoping that the very major research program that we have embarked on will give us a better indication. Certainly, the early indications on some of that work that you have been given are that we will probably get it. Previously, with the fragmented ITAB approach, some did good research and some did not. But that is only a partial answer. I honestly am not sure that we can predict some of the shortages that are going to emerge in the future. Some relate to changes in industry demands and the like, but with things like nursing, particularly the non-university nursing, we have been caught quite badly in that the demand is there and there are a number of people who would like to do it, but the places are not available and it is going to take a little while to develop those.

ACTING CHAIR—This is the point. With the changes that occurred in 1996, at that stage people said, ‘This will have long-term implications.’ You cannot run a system on an incentive basis whereby you get larger sums of money for people who are prepared to pay. Clearly, that does not apply to nursing and teaching. You cannot change the HECS arrangements the way they did without having these sorts of knock-on effects. In the past, there were national bodies—NVET for instance—that were able to provide advice to government independently of the department and of state governments, because they too have political messages. Do you think there is a place for an independent advisory body on these sorts of labour market issues? I am not just talking about trades here; I am talking about all the skills.

Mr Laver—You are making me feel very sentimental talking about NVET, having tutored for six years.

ACTING CHAIR—I do acknowledge your service.

Mr Laver—I acknowledge there is a gap there now in terms of independent advice. But, in the vocational education and training area, ANTA must have a role in providing the sort of advice you are talking about.

ACTING CHAIR—But, equally, the Commonwealth department has lost its research capacity. It is one of the areas that have been contracted out. It is very lucrative if you can get on the gravy train here, but it does not necessarily produce policy advice to government of the quality that used to be provided. I am not saying that there is only one policy advice. It is obviously an intellectually contestable area, but it does not have to be financially contestable. Do you think that the absence of that sort of research capacity within the Commonwealth is having an impact on our ability to predict longer term skill shortages?

Mr Laver—I would say yes, but with some hesitation. One of the concerns I would have relates to the relationship between ANTA and the states. To my mind, ANTA operates a little too independently of the states. We do have a meeting with the ANTA board. The other state training agency chairs and I meet with the ANTA board a couple of times per year—and the chief executives also meet—but I would have to say that I think the relationship could work a lot better. A lot of the information gathering that we are doing on a state basis is not being done in other states, and a lot of things at the grassroots level could be synthesised better by ANTA, given the resources and given the imprimatur of your committee, for instance, to try to get a more national approach to some of those types of issues.

ACTING CHAIR—Nationally consistent data collection is clearly strongly supported within this committee, but we also need nationally consistent policy frameworks so that people have

qualifications that mean something wherever they go in the country. I think there is also an increasing perception that this is a national economy.

Mr Laver—Exactly.

ACTING CHAIR—It is not a regional or international economy. All those things make sense. ANTA is separate from government. I am concerned about whether the Commonwealth department has got the capacity to provide advice to government.

Mr Laver—It is pretty limited in vocational education and training, I would have to say.

ACTING CHAIR—What about the more general question that has been identified not just in the narrow concept of vocational education but in the broader concept of these areas of skill shortages in the professions. Do you think it has the capacity to address those?

Mr Laver—I think the capacity is pretty limited. A lot of the information is provided by the providers rather than by the users. As a consequence, it gets a little bit slanted: the most popular courses are the ones that can be filled up with people, and so they are the ones that get funded rather than those courses that the country needs as far as long-term skill shortages are concerned.

ACTING CHAIR—I ask that because we have been doing some work in other parts of this committee on the forward projections for enrolments at universities. I have got the figures on the forward projections for teaching and nursing. These places are purchased—that is, the Commonwealth determines the allocation of resources. So they must know where these problems are, and they must have known about them for some time. Is there a case for a broader public discussion of these matters and for this advice to be made more available to the states so that we do not get this interminable argument about whether or not Victoria or New South Wales is getting its share and we get a more open debate about where resources are going?

Mr Laver—Yes, I would agree with that. It is certainly fragmented. My understanding of the terms of reference of the review of the national ITAB structure is that it would go some way to addressing those types of things. To build that system up and to work it properly is probably your best hope of getting those types of projections. I would have to say—and the ITABs would recognise this about themselves—that their performance has been pretty patchy. Some of the information they have provided has been far too short term. It has not taken the strategic view that you have demonstrated.

Senator ALLISON—I wanted to home in on some specifics of what Senator Carr started talking about with you. It seems to me that the teacher shortages in the areas of technology, mathematics and science are likely to be the stem of a lot of our problems, if we accept that 40 per cent of junior secondary school students are being taught by teachers without that as their area of training. How significant do you rate that in terms of directing young people to nursing or to areas of technology where we are so short in skills? Is that part of your job to advise government about those sorts of problems from way back?

Mr Laver—According to the specific remit of VLESC, it probably is not. However, it is something that we are particularly interested in. In terms of some of the things that I do that relate to VLESC, such as sitting on the government's science advisory group—the Council for

Knowledge, Innovation and Science and Engineering—this has been at the heart of what we have been talking about. The Victorian Schools Innovation Commission, which Barry Jones chairs, is also interested in these types of issues. There are some problems in it. There is no doubt that people who do a science degree can quite often find a more rewarding career than teaching. If they have done a liberal arts degree, sometimes teaching is the most satisfying career they can follow. So there are some pressures there.

With an entirely different hat on, I am also a fellow of the Academy of Technological Sciences and Engineering. This group are most interested in the perpetuation of high-quality science and engineering in the country and are also extraordinarily interested in what more can be done to better engage young people in science and engineering—and that means getting more and better qualified people into science teaching.

Senator ALLISON—This debate has been going for as long as I have been in the parliament—since 1996—and probably much earlier. What steps have been taken to solve it?

Mr Laver—A lot of little things are being done, like prizes and various other things. You would be aware that sitting alongside the Prime Minister's prize for science there is now a minister's prize for science teachers. We are trying to do something to recognise the profession. But at the end of the day that does not get back to the basic problem that there are not enough people who are scientifically literate wanting to be teachers.

Senator ALLISON—That is probably a chicken and egg situation, as well, in that if you have a teacher in years 7, 8 and 9 who is not enthusiastic about maths or science—they are trained to teach geography—then you are stopping a whole cohort of young people even thinking about being a teacher or a mathematician as a career.

Mr Laver—I agree wholeheartedly. If I had an easy solution I would tell you. It is not in LESC's area but I can tell you that there are a lot of people in the engineering profession—that is my background—who are getting very seriously concerned about this. They do run into some, if you like, institutionalised problems such as the fact that it is very difficult to financially reward science teachers more than other teachers and so on.

Senator ALLISON—Couldn't we start by fixing up the HECS problem, which gives them a disadvantage?

Mr Laver—That is outside my remit but I certainly would not be writing letters to the paper if your committee exercised its mind in that direction. Anything that somehow or other shows that there is a recognition of the problem and that governments want to do something about it I would very strongly support. It is a very serious problem.

Senator ALLISON—Has research been done to look at attitudes forming in young people as early as years 7, 8 and 9 about this subject?

Mr Laver—I have read some articles rather than research. Through the school's innovation commission I have become aware that in fact there is now a belief that perhaps it is all too difficult or too nerdy. These are the types of attitudes that many of the kids have towards science. That starts to form in late primary school.

Senator ALLISON—I meant directly related to the fact that their teacher is not trained in the subject.

Mr Laver—I am not sure whether there has been any research done on that. It surely must be a problem if the teacher has studied only a year ahead of the class they are teaching. Clearly they cannot provide much guidance to students. It is a big problem. I would suggest that that is almost a separate inquiry—when you have finished this one.

Senator STEPHENS—I will move to the part of your submission that addresses the issue of securing long-term sustainable financing arrangements in VET. In our deliberations around the country we have had lots of discussions about industry training levies, particularly when they are related to the construction industry. Can you see the same kind of model working for industries other than those in the traditional areas where there has been a commitment to investment in indentured apprenticeships and traineeships? Is that the kind of model that you might be thinking about in your investigations at the moment—how industry can actually contribute?

Mr Laver—Your inquiry is just a little bit early because we have a very heavily researched preliminary paper that canvasses everything—we cannot think of anything that is not in there. Training levies of various types are canvassed there, as are HECS—VECS, if you like—for vocational students plus a range of loans and all the other things that are talked about as far as funding is concerned. As the independent chair of the commission I do have a problem because on one side I have a couple of industry people saying that they are not actually entertained by the thought of levies and on the other side I have a couple of union people saying they are not very entertained by VECS or other forms of user payment. It is going to be a Solomon who can decide what sort of advice we give the minister. It might be ‘on the one hand; on the other hand’ type advice, and leave it to the minister to decide if she wants to move in this sort of direction.

ACTING CHAIR—That is brave.

Senator STEPHENS—Are industry levies, to your vast knowledge, operating in industries other than the construction industry?

Mr Laver—Not in Australia. We have done international research and there are various forms of industry levies. What we have to be careful of is that we do not want to reinvent the training guarantee levy—which you might have had something to do with, Senator. I am not sure that industry is anxious to revisit that, but there are other ways to kill the cat, I believe, and I would hope that as we work through—

ACTING CHAIR—Is that what you meant, Mr Laver?

Mr Laver—As we work through this we hope that we see some way of developing something that would be more acceptable than previous experience. There is an extraordinary amount of world experience of these things.

ACTING CHAIR—You are proposing essentially systems of incentives and disincentives for—

Mr Laver—The more carrots and less sticks the better. People will be rewarded by training rather than feel they are being penalised by it. But you are about three or four months too early for us to be able to give a definitive statement. If it is an area you are interested in, I am happy to make it available.

ACTING CHAIR—I would be interested if you could provide the committee with a copy of the paper, at the appropriate time.

Mr Laver—Certainly some of the international research might be of interest to you, and it will save you having to do the same stuff.

ACTING CHAIR—It would be very useful indeed.

Mr Gove—It might be worth adding that one of the underlying principles of the work so far is that there is unlikely to be a single model for all industry sectors. There may need to be a range of models to apply to different industry sectors.

ACTING CHAIR—I take it that you cannot do this on a state basis.

Mr Laver—We have not excluded that. We do have, for instance, variable levels of WorkCare cover levies on industry. Perhaps you could work a levy system through there. The levy could be different depending on where the demand for training is highest. It is not a very popular political thing to do. I guess we do not want to take anything off the table. Obviously, if you are going to talk about a VECS it has to be Commonwealth; if you are going to talk about a more general training levy it has to be Commonwealth. Once we have our ideas in place we will probably be telling you a bit more about it.

ACTING CHAIR—Thank you for coming today. You have been very helpful.

[12.00 p.m.]

BENTON, Mr Noel George, Chairman, Northern Stainless Steel Skills Development Group

COPPOLA, Mr Tony, Executive Officer, Northern Area Consultative Committee

FOWLER, Ms Sue, Executive Officer, Maribyrnong and Moonee Valley Local Learning and Employment Network

IACCARINO, Mr Michael, Executive Officer, Melbourne's West Area Consultative Committee

LINLEY, Ms Justine, Project Manager, Western Melbourne Regional Economic Development Organisation (WREDO)

ACTING CHAIR—Welcome. The committee prefers that all evidence be given in public, although the committee will also consider any request for all or part of your evidence to be given in camera. However, I point out that such evidence may subsequently be made public by order of the Senate. I have before me submission No. 62 by the various organisations. That does not include the Northern Area Consultative Committee submission. Is that right?

Mr Coppola—I do have some material.

ACTING CHAIR—Would you like to table that material at this point?

Mr Coppola—I will do so now.

ACTING CHAIR—I now invite you to make an opening statement. Mr Iaccarino, would you like to do that on behalf of the group?

Mr Iaccarino—I will make the opening statement on behalf of Melbourne's West Area Consultative Committee, the Western Melbourne Regional Economic Development Organisation and the Maribyrnong and Moonee Valley Local Learning and Employment Network.

Mr Coppola—I will do a separate one.

ACTING CHAIR—Let us go with that.

Mr Iaccarino—Good afternoon, Senators. Melbourne's West Area Consultative Committee covers the six local government areas of Moonee Valley—Brimbank, Melton, Wyndham, Hobsons Bay and Maribyrnong—and the Western Melbourne Regional Economic Development Organisation covers those six local government areas. The Maribyrnong and Moonee Valley Local Learning and Employment Network covers the Maribyrnong and Moonee Valley areas.

One of the issues that have exercised our minds in the west for some time has been the persistently high levels of unemployment in some parts of our region, and they coexist with an apparent skills shortage. This prompted the area consultative committee to bring together a number of organisations, including those that are with me today, but also other local government councils, the Melbourne City Mission and Victoria university to see what we could do to probe a little deeper to understand what was happening in our region. I stress that our submission today relates specifically to the western region. Out of that process we developed a project called Skills for the New West, which was specifically focused on identifying the skills that existed within the region and the likely skills demand in the future and finding some way that we could measure the skills demand. That project was developed and subsequently funded under the Regional Assistance Program, and the Western Melbourne Regional Economic Development Organisation received the funding to carry out that project. Justine Linley, who is with me today, will be able to speak in detail about what is happening with that project.

Another important issue that we were aware of in the west was the strong emphasis placed on young people staying in education. Of course, we think that is a good thing, but there were some adverse outcomes from that for people who were unable to persist with their education because they did not fit into mainstream education. There was a concern that a number of those young people were simply falling through the gaps and there were not alternative pathways that they would find attractive. Given the strong emphasis on proceeding to higher education, there was also a negative perception about occupations and careers that perhaps do not need a university education. So there has been quite a bit of work done thinking around these issues, particularly through the Maribyrnong and Moonee Valley Local Learning and Employment Network. Sue Fowler will be able to talk to those issues.

We are pleased to be able to appear before the Senate committee this afternoon. I understand you have a copy of our submission. We are happy to respond to any questions or indeed to any other matters we may be able to assist the Senate committee with.

Mr Coppola—In the northern metropolitan region, our committee found that we were also suffering from high youth unemployment rates over quite a significant period. At the same time, we were getting feedback from industry, particularly the manufacturing sector. I should point out that in the north of Melbourne the manufacturing sector is the largest employer of people, so it is a most significant employer in terms of economic activity. The feedback we were getting from the manufacturing sector is that they were having considerable difficulty in attracting suitable young people, particularly for apprenticeships and other skilled career paths. Our focus was specifically to look at and research why we had this anomaly of high youth unemployment rates coupled with our biggest employing sector being unable to attract young people.

The paper that I have issued to you has a summary at the end of it. I will not go into the full detail that is covered in the previous pages, but the major finding concerning this problem within the region, and we suspect in other regions as well, is that the education system does not provide effective career preparation and education to enable students to make informed decisions about career options. Teachers, students and their parents are unaware of skill career paths available in the manufacturing sector and, in fact, quite often have very negative perceptions about the industry. The academic focus of the school curriculum basically ignores the needs of students who are best suited to practical vocational skills such as apprenticeships. These students often leave school before year 12 in frustration with the academic focus and are usually poorly prepared to find a skill career path. We believe one of the major reasons why we

have high youth unemployment rates is because these young people have left the school system early in frustration and have a very negative perception of future education and training, and they are inevitably poorly qualified to move into skill career paths and quite often drift into long-term unemployment. We also found that careers teachers are poorly resourced. Of the 45 secondary schools in the north of Melbourne, whilst each school had a careers teacher appointed, the reality was that they were very much part time, ranging from two hours per week to 20 hours per week in the majority. There was only one that was full time, and only one of the 45 actually had training in career education qualifications.

We found that one of the solutions for addressing this issue was to form regional industry sectors, and we have experienced that with Noel's group—the stainless steel group. We organised that industry on a regional group and that group became a focal point for establishing strong linkages between industry, schools and the community. It has been very effective in increasing the number of apprenticeships to the industry. In fact, last year only seven apprentices started in the stainless steel industry in the north of Melbourne. With a number of the strategies that have been put in place over the last 12 months, we actually had 17 start this year. The required intake was 20, so we nearly achieved that intake. Manufacturing technology centres are being introduced in some schools to provide that vocational focus, and we have been working with those schools to encourage them to develop those sorts of approaches. We have found they are effective in providing those practical vocational skills to enable students to make a decision about whether they are suited to that type of work or not and to help them make an informed decision.

We also found that industry members must share the responsibility for overcoming skills shortages. We cannot blame just the education system or the teachers. Industry has to participate and acknowledge that it is their industry that is at stake and that they have a very valuable role to play in that. We also found from the two projects that we funded over the last two years that the reality is that young people are interested in a range of skilled career paths, provided they are given relevant career preparation and education during their secondary school years. We also found that employers will employ suitable young people who have made an informed decision to join an industry—in other words, those who want to join that industry, who know what it involves and who are prepared to make a commitment to it.

ACTING CHAIR—I live in Pascoe Vale and I taught at Glenroy tech for 10 years. I put that to you in terms of my personal involvement in the north and the west of Melbourne. I have heard these arguments now for a very long time. At the end of your statement, Mr Coppola, you said that we should not blame the schools, but everything you said before that was that we blame the schools. When I was teaching at Glenroy tech, there were very serious problems with youth unemployment, despite the massive levels of employment in the Ford Motor Company and various other heavy industries in the region. It was a time when they actually employed people at 15 years of age. I put it to you that this is a bit more complicated than we are saying here. Can you name an area in which the north and the west of Melbourne are not seriously socially disadvantaged? Is the problem more profound than just the labour market; is there a much deeper level of inequality in our society that we should be looking at, rather than just looking at the labour market?

Mr Coppola—There is no doubt that there are a lot more factors involved. What we have tried to do through these projects is to look at an early intervention process to provide young people still in the school system with opportunities to learn about what actually happens in the

labour market and what types of occupations are there. If they are not receiving those types of information and support and if they are having other problems—social problems et cetera—that is only going to exacerbate their problems. What we have found with the experience we have had with our projects is that, where we have been able to work with individual schools and industries on a pilot basis and to bring them together, we have been able to attract young people into the industry. But I accept that there are other social issues that cannot be addressed with this sort of approach.

ACTING CHAIR—When the tech division was in operation it probably had 40,000 to 50,000 places in the north and in the west. It had properly qualified teachers, well-equipped schools, class sizes of one to 20 and a disadvantaged schools program funded by the Commonwealth that provided, on average, a loading of up to 20 per cent of the staff. All that has gone. Have we seen any improvements since the 1990s when this occurred?

Mr Coppola—I think what we are trying to point out is that it has got a lot worse and a number of strategies need to be put in place to recover some of the lost ground.

Mr Iaccarino—It is certainly the lament of a number of employers that we have spoken to, particularly in the manufacturing and engineering sector. They say that you do not have tech schools any more and so the students are not taught the basic skills involved in handling tools et cetera and so there is a greater expenditure involved in bringing them up to a level where they can start to be productive. Sue can talk more about this. The objective of the VCAL and the VCE is to allow for training in those sorts of areas as well as getting accreditation in other subject areas. So I do not know that the system in place necessarily precludes training in those areas, but certainly that is the sort of thing employers are saying.

The other point I would also add is that it is fairly evident at least in our region—and it sound like it is in Tony's region as well—that the employers are blaming the education system and the education system is perhaps not well aware of the needs of industry. It seems to me that what they are doing in the northern region is bringing the two together and entering into a dialogue to better understand each other, which seems to me to be a positive initiative.

ACTING CHAIR—That is a very positive initiative. Everything you have said is positive, but when I think about the railways, even while I was at school there was always someone at the railway station. There were many more opportunities for people, through the SEC and government instrumentalities of various descriptions. The Coburg City Council used to employ people to work on the electricity supply—and Brunswick and so on and the western suburbs. Footscray used to have substantial employment opportunities for local people. They are all gone. Other than this bandaid approach of sitting down and having a chat to people, having a cup of tea, what structural initiatives are being proposed here to address those fundamental questions of the social inequality that is now endemic in the north and the west of Melbourne?

Ms Fowler—From my experience in the west—and I have been there for a number of years now and formerly as a teacher—I would have to say that the social disadvantage manifests itself in literacy and language issues. Unless we really address some of those issues at the lower levels, we are not going to make a marked difference to the young people of the west. Literacy is extremely important to any position that they might want to take up in the work force. We really do have to ensure that we have adequate literacy programs in place and an emphasis on literacy. I used to be a maths teacher, and in my report I have referred to numeracy and the need

for that one as a program that is needed to link maths to applied learning. I was a maths teacher at the senior level in secondary school, and then I moved into TAFE, where I taught adults and, in the language studies department, both numeracy and maths. So I have had experience in that field as well, and I think, unless we actually link the maths curriculum to applied learning, young people are going to fall through gaps there as well. These are two areas that are extremely important to the destination of young people.

ACTING CHAIR—Thank you very much.

Senator STEPHENS—I have a quick question for Mr Benton. Having had a very short period to absorb the project that you are the spokesperson for, it looks to me like a good model in terms of being a local initiative to try and pull together all the players in addressing your industry's skills shortages. It seems to be quite significant, just from what I have been able to scan here.

Mr Benton—It is a peculiar part of Melbourne that has a high concentration of stainless steel fabricators. That was a prime reason that it was propagated in the first place. The northern TAFE college, Preston tech, was our trainer of apprentices. Some of the employers were finding that their trainees were not gaining the skills that they needed, so we interfered and together we worked out a training program that suited both the manufacturer and the student.

Senator STEPHENS—What does that training program look like? Is it not the same as the accredited training packages? Is it something different?

Mr Benton—The differences are just in the operations. For instance, a sheet metal worker is a skilled person in our industry who can work with copper, galvanised iron or other such materials. Each one requires a variety of techniques to turn it into a manufactured product. So the general sheet metal program covered all those aspects of the industry. The modification that northern TAFE and the group put together was specifically tailored towards stainless steel. It had some substantial differences. That started out with funding from a state organisation that put together a canvassing program around the area to bring the manufacturers together. They have brought in something in the order of 20 or 30 different manufacturing groups that formed an alliance with the teachers at northern TAFE. It was then expanded to include some of the secondary colleges, with representation, particularly in Epping and more recently at the Northlands Secondary College. So the nucleus has grown into something a little larger. We put together a formal program.

You made some points about how the kids are still there. There are still 40 kids in every year of any school that will go into a trade section if they are given the same amount of information as they used to get when they were at tech schools. The difference is that they are not given the same amount of information and they are not getting out into the workplace, so the intervention that industry used to have with the tech school system has been reintroduced. That is where we see the biggest gain. We can be there modifying courses and still not getting any people coming into the trade. So our biggest gain has been working with the school at Epping. They have a very active trade section and a trade teacher who has a great interest in the kids and the outcomes of those kids at the school. We have facilitated some of that.

Senator BUCKLAND—Do you think the comment that we have been hearing is valid—and is it valid in the north and west of Melbourne—that the aspiration is for the students to go on to university?

Mr Benton—There is certainly nothing wrong with the aspiration to go on to higher education.

Senator BUCKLAND—Is that something that is holding young people in the north and west back from going into trades?

Mr Benton—The path is a single path—or it has been until the last 18 months or so. The path has not had any choices for students to go to those VET programs in an official manner. It was either leave school and find a trade or stay at school and go through to the academic level—or at least VCE—and then choose to go out into the TAFE organisation, if there was such a choice. If I may add to that, regarding the difference of time, you mentioned that a 15-year-old person would normally enter an apprenticeship. That is the one substantial difference between then and now. Our apprentices today are starting at 18 or 19, with the added pressures of finances and motor cars and such things. They are not considered primarily as students; they are considered as employees or persons. So they lose all those little concessions. If you are still a student you have in the community a perception of acceptance as a training student, whereas if you are an apprentice the perception is that you are something less than a training student. I see that in the apprentices we employ: they tend to be segregated. As they leave mainstream academic schools and go into workplaces that are considered to be trainers of apprentices, they step into a different category. Simply giving apprentices the status of students may be of some benefit in attracting them.

ACTING CHAIR—It has quite considerable benefits: health insurance and all sorts of things.

Mr Benton—I don't think financially there would be a lot in it; it is just the perception of the apprentice, not having the status difference it gives him. In other parts of the world, in metal they all do some form of training in the workplace. They go out into industry and go back into school. They come and go before they are fully accredited. As an engineer in Denmark, for instance, you are required to do a certain number of hours in a workplace as part of your official training. It may be 12 months. There were programs here in Australia that you might recall—the 'sandwich' courses that Swinburne had, I think, under the tech or TAFE organisation, where you would do the first two years of a diploma, go into industry for one year and come back into the college to complete the course. Those sorts of courses were attractive to the mechanically applied apprentice, if you like.

The difference we are seeing is that the kids are older when they are entering. We are quite happy to employ people in the 18- and 19-year-old categories as trainees. They then have to adjust to some of the moneys. The reward moneys are not quite as high, so pressures to their hip pockets, for instance, do come into play, in making ends meet. But the career path is adequately attractive for them to go on through TAFE today, with the extension of courses, from commencing at our workplace as an apprentice to completing an engineering degree. That is where I see our involvement in the school to industry process as being quite successful.

Senator STEPHENS—That has been a good example. Thank you.

Senator ALLISON—I was interested in the survey that you refer to in your submission, which says that of major concern is the fact that only seven per cent of potential apprentices were influenced by teachers. Were you able to understand whether this was a problem of career teachers—and you have already identified some of the lack of resources that they endure—or is this traditionally not a place that students would look for advice about careers? In other words, are families always going to be the major influence—and no doubt their peers? Although that is not mentioned, I am sure it is part of it. Can we hope to change that and, if so, is it worth doing? We have also heard in this committee that teachers give out entirely the wrong messages, because teachers have not been in the work force except as teachers. This seems to be a bit of dilemma with a lot of contradictions. Could you comment on that?

Mr Coppola—It really is very complex. As I said before, I was reluctant to blame teachers because it is the education system that has taken them down that track, with the academic focus and the focus on being measured on year 12 retention rates. In fact at the moment if a school lost a number of students at, let us say, year 11 into apprenticeships it would be seen as underperforming because its year 12 retention rates would drop. So the education system is not sending the correct messages in terms of what is acceptable.

Senator ALLISON—You say only seven per cent are influenced by it anyway, so you are suggesting really that they are making no difference at all, except to seven per cent.

Mr Coppola—That is correct, but at the same time we have got enormous skill shortages because schools and teachers are not preparing young people for the range of jobs that are available in, for instance, the manufacturing sector. So the teachers in effect also have a lack of awareness of the career paths that are available in the manufacturing sector—as do the parents quite often as well. The research also shows that parents and teachers are the greatest influencers of young people in terms of the decisions they make while they are in the school system. If you have one of those key components—teachers—being unaware of the opportunities that are available and not providing information to those young people and not giving them opportunities to experience those opportunities through work placement or other activities so as to be able to make an informed decision about whether they are suited to them or not, it is not surprising that they are not having a great influence in directing people into that area.

Senator ALLISON—I think you mentioned that a lot of students fall through the gaps, that they go on to be long-term unemployed and that they have significant difficulties. Yesterday we were at Springvale where Visy Care—I think that is the name of the organisation—has set up a school designed for such students. It has a teacher-student ratio of one to five, which is obviously a very expensive education option. In Victoria and in other states, these schools were once not uncommon. There used to be sprinklings of them around, but they no longer exist, as I understand it. Maybe you can confirm that in your area. Do you see them as an option for picking up those students?

Mr Iaccarino—I am sure Sue could speak more to this point than I can, but I think the important issue really is to create flexible and meaningful pathways into employment for these young people—flexible in how the training is delivered and in terms of their capacities to read and write. That is the area we have to look at—what other pathways need to be put in place to assist those young people? That is certainly the focus of the LLEN.

Ms Fowler—One of the advantages of the LLEN is that we can bring together the local employers and education providers in the region, and that is certainly a big advantage. It is what happened in the north—they were able to get together to talk to each other and work out some of the issues. Regarding the issue of careers teachers not understanding the workforce, I believe that careers teachers need to get out into the work force for industry experience, whether it be on a one-, two- or four-week placement. The TRIP program has been highly successful, but a lot of the teachers doing the program, which involves teachers being released into industry for a year, do not return to schools—they stay in industry. So I would suggest it should not be quite so long—perhaps a week or four weeks, where they cannot escape quite so easily. But careers teachers' knowledge of industry needs to be expanded.

We need a major communication strategy happening statewide for VCAL and other VET programs, to promote alternative pathways to both young people and parents. I also think that we must look at an integrated curriculum between VET and academic subjects. The research that I have read says that VET is working really well where the academic curriculum is integrated with the VET curriculum so that those young people who are doing VET are able to learn their English, maths et cetera through an applied learning program. VCAL will address some of that, but at this stage not all schools are offering VCAL. Again, I think it does need to be promoted as an alternative learning style rather than as being for those young people who cannot cope with academic curricula.

So there are a number of issues that can be addressed at both the local level and the statewide level, and I feel they should be looked into at this stage. I also think that we need to revisit the concept of senior secondary colleges—years 10 to 12. The research that have I read seems to indicate that they allow for more adult learning principles, and young people therefore have a liking for learning when they leave school. That is incredibly important for the knowledge work force. If we do not give young people a love of learning, when they leave a certain job because it no longer exists they will not necessarily have the skills, the knowledge or the ability to learn the new skills they will need in the next job.

Mr Iaccarino—Another initiative, which Sue has not mentioned, that the Local Learning Employment Network has been involved in is a pilot project—and it goes to the issue that Senator Carr raised earlier about how you cannot just look at the labour market or indeed the education system in isolation from other factors happening in a young person's life. This pilot project was targeted specifically at assisting those young people who were perhaps at risk of dropping out. It involved a particular secondary college in the western region and it involved a mentoring program where they would spend time with mentors. That project is being expanded to four other secondary colleges this year.

Ms Fowler—That project has proved to be very successful in that during its evaluation young people indicated that they now felt confident enough to phone an employer to find out more about a job or to phone a TAFE and find out more about a course or about work that they might be interested in. Mentors certainly stated that they felt the young people had higher self-esteem at the end of the program. It was a 10-week program that we piloted last year, and as Mike said we are expanding it this year—we have got a lot of interest from the other schools in the region. After running the program for six months, we expect the schools will pick it up and run it themselves.

Senator ALLISON—Is this the same program that was being run from, I think, Northlands, where the mentoring is provided by the teachers within the school?

Ms Fowler—No, that is a different program. We have a project officer who is training the mentors, and we have produced a training kit in conjunction with Victoria University. The project officer trains the mentors, and they then have a kit that they use in the classroom. It is a totally separate program.

Senator ALLISON—Who does the mentoring?

Ms Fowler—Our project officer. She is a teacher herself.

Senator ALLISON—She mentors all the students?

Ms Fowler—Sorry, no; I answered that incorrectly. Mentors are recruited from the general community, and they are the ones that do the mentoring. But they are trained by our project officer.

Senator ALLISON—They do this in a volunteer capacity?

Ms Fowler—Yes, they do a two-hour program with the students, plus their training.

Senator BUCKLAND—My question is to the ACCs. How much of your overall budgets—not in monetary terms but in percentage terms—do you direct to job finding activities? I understand that there are some roles you have that may create jobs, but how much is directed entirely to job finding?

Mr Iaccarino—Very little, and the reason for that is that we are not funded to do that; the Job Network is funded to do that. Our role is to generate economic growth, and certainly employment creation is part of that—to assist organisations to develop projects that will result in employment creation. The Skills for the New West project, which Justine will speak about, was funded under that program. In terms of actually assisting people to find jobs, we would fund very few projects; indeed, we would have trouble getting any projects up that would be seen to duplicate what the Job Network does.

Senator BUCKLAND—From my reading of the submissions, you were somewhat critical of the Job Network. Where are they deficient, in your view, and what do you think needs to be done to correct their deficiencies, to make them more user friendly for employers and prospective employees?

Mr Iaccarino—I did not really think that I was that critical of the Job Network. It may have come through in the paper that I was; indeed, the comments that are in the paper come from the Job Network themselves. When I say that very little of our budget is directed to assisting people to find work, one thing that we still do—which is probably an overhang from when we were funded by the Department of Employment and Workplace Relations—is hold a monthly Job Network Provider Club meeting where Job Network members can come along and discuss issues. In preparation for this inquiry, I discussed issues around skills and the issues that this inquiry is looking into. It was very clear to me—and this is what Job Network themselves were saying—that Job Network's clients are unemployed people, and their payments and incentives

come from finding jobs for unemployed people. I think that is, as I mentioned in my submission, probably a worthy and important social and economic function that they carry out, because I do not know who else would look after the most disadvantaged in our labour market. So they have a particular focus, and the incentives and rewards are driven towards dealing with the clients that they have and trying to get them into work. To me, that is a slightly different focus to looking at the labour market, looking at the skills and where the emerging needs are and finding the best people to meet those needs. They do not have all those people; they have the people that are on benefits, and their energies are directed to placing those people.

Similarly, the employers realise that. Employers know that the Job Network deals predominantly with people who are on benefits, and so they will not always lodge their vacancies with the Job Network, because they want access to the widest range of skills available. Obviously the Job Network have some idea of the vacancies that are difficult to fill, but I do not think they have that overall perspective of what skills are available and what skills are in most demand and likely to be in demand. They certainly, to my understanding, do not devote a whole lot of resources to doing that sort of labour market exploration.

Senator BUCKLAND—I would like to direct a couple of questions to Mr Benton, because he is actually out there, using the people we are talking about. In your process of selecting apprentices and, I imagine to some degree, non-trades people, what are you actually looking for? We are hearing a lot about people who do not have employable skills. What is it that you are actually looking for?

Mr Benton—That in itself is fairly difficult. It is a personality thing that usually comes back to a direct interview process. We tried to address some of that by coopting one of the employment agencies in the north to come under our group. They are the Sarina Russo Group, and they attend our meetings and act as an interviewing group to meet some of our criteria that are very hard to define. To try to understand whether a young person aged anywhere between 15 and 20 has the capacity to learn some of the basic skills and the more difficult skills of sheet metal working or boilermaking comes down to interviews on a one-to-one basis.

I would be looking for someone that had come from a background perhaps that meant he did understand what the trade was—that it was a 7.30 start in the morning, that it did involve working in a factory in an overall or a boilermaking suit, that he would not be wearing a collar and tie like his friend who might have been to university. He would have to understand those sorts of differences. I think it is a cultural thing. You need to get a person who understands that, and often it comes from a family background. I think some of Tony's statistics indicate that families do have an influence, either good or bad, with respect to encouraging their children or their siblings to become apprentices in a trade.

Some of the old ideas of the industry have carried forward into this generation. There are certainly dirty shops, boilermaking shops where you go in with clean hands and come out with hands as black as the ace of spades, but we believe that type of industry has moved away or has become more sophisticated, and those jobs are handled by either computer driven machines or beam handling devices—in structural steel—and not by individuals with a podgy bar or something like that. So with those jobs we have moved on as an industry to become as good as anywhere else in the world. Stainless steel is an industry that I have known for a long period of time, and it is not in that category of being low skilled, where the only piece of equipment you have is a hammer. That has gone. We have moved on from there, and the career paths within

each of the industries that I am a part of allow apprentices starting out to be foremen by the time they are 30 or 33, in charge of men, and allow them to go on to become general managers, estimators or draftsmen. To my mind, those sorts of careers are all part of being an apprentice.

Senator BUCKLAND—It was put to us in Tasmania, I think, that perhaps young people should enter the apprentice trades or nontrades in industries similar to your own—manufacturing, or what many of us would call dirty manufacturing—after year 10, because they are not going on to university anyway. Do you hold that view?

Mr Benton—I might have had that idea in the past, but again I have moved on from that. If, for instance, that tradesperson—I am stepping back a bit here—were required to be just a tradesperson for the rest of his life, like a machine or a robot, then that idea might still hold. But if I anticipated that the apprentice I hired today might be my general manager in the future I would like him to be able to communicate with me.

Senator BUCKLAND—What about getting young women into apprenticeships—have you been able to attract any? Or do you attempt to attract some?

Mr Benton—It is a very traditional area, and I know that even the structures of our factories are often not built to accommodate two sexes in the workplace. I am really not sure that a woman's role—is there a role for a woman?—is that of a boilermaker. I am not sure.

Senator BUCKLAND—You may have opened up a can of worms there! We might just stop there, I think, Chair.

ACTING CHAIR—You are entitled to any view you like.

Senator BUCKLAND—I did like some of your answers, but I think I might get into a row if you keep going!

ACTING CHAIR—Thank you very much, Mr Benton; that was very useful.

Mr Benton—I am friendly with an aircraft frame builder who is a very clever woman, so I am not shifting from one side to the other.

ACTING CHAIR—You are being facetious! Thank you very much for coming. We really do appreciate the advice you have been able to give the committee. Thank you.

Proceedings suspended from 12.47 p.m. to 2.12 p.m.

BURROW, Ms Sharan, President, Australian Council of Trade Unions

KING, Ms Jacqueline Elizabeth, Industrial Officer, Australian Council of Trade Unions

ACTING CHAIR—Proceedings of the Senate Employment, Workplace Relations and Education References Committee will now recommence. I welcome our next witnesses, representing the Australian Council of Trade Unions. The committee prefers all evidence to be given in public, although the committee would also consider any request for all or part of your evidence to be given in camera. However, I point out that such evidence may subsequently be made public by order of the Senate. The committee has before it submission No. 23. Are there any changes you would like to make to that submission?

Ms Burrow—No, Senator, but in the course of some brief opening remarks we will refer to some case studies, and I would like to table those.

ACTING CHAIR—We will take those as additions to your submission. I invite you to make a brief opening statement, and then we will move to questions.

Ms Burrow—We appreciate the opportunity to appear before the committee. From the perspective of the ACTU and the unions, I have to say this is an enormously important inquiry. We believe that the reform of the VET system is a priority—it certainly is for the ACTU. There are a number of issues that are pivotal this year for the VET agenda, including the next national strategy, which will go from 2003 to 2010. That is a very long stretch for a critical strategy that is meant to underpin a highly skilled nation. Of course, there is the ANTA funding agreement, which we hope would be based on a very timely and sharp national strategy that actually focuses on the most critical needs of the economy and, indeed, of working people in regard to their skills.

The ACTU and the employer organisations have recently met. In fact, we met yesterday as JITEC—the Joint Industry Training and Education Council. We discussed areas where industry, employers and unions can seek to influence the agenda in cooperation with each other. I will list some areas we believe are critical issues for both unions and employers. They include reinvigoration of the VET system as a national industry-led system, the need to link VET to skills development and employment outcomes, the need to develop training strategies for existing workers and for young people, the need to address access and equity issues for disadvantaged groups within the population and for the non-standard base of employment now emerging in huge numbers in the work force and the need for investment in a national VET system—and I underscore ‘national’.

The key issues we would like to address today include the need to train the existing work force; link vocational training with industry skills development needs; increase structured industry training leading to national qualifications and improve the quality of training. I will say a couple of things on each of those four points. In terms of training the existing work force, there are some imperatives. The first imperative is that we cannot kid ourselves that we are ahead of the skills game by comparison with the rest of the world. I believe we are in danger of missing the next innovation cycle. We would argue that we have missed the IT revolution in terms of having the skills to develop a strong manufacturing sector and probably the extent of

the software industry we might have imagined. We do not want to miss the next one. So for all sorts of reasons we ought to have existing worker training as a major priority. There is the other question about the retention of skills, when we see extensive skills deficits in the economy at the moment. The ageing work force clearly is part of that. Over half of the population will be 45 and over by 2010. We need to recognise that, in terms of the innovation cycles I referred to, it takes from four to seven years to train trades and professional workers. Then there are the ongoing skills shortages in trades professions emerging now in some service sector jobs—the growth sector of the economy.

In terms of the need to link vocational training with industry skills development, it is our very clear view that the focus has been on dollars rather than skills driving training initiatives. We need to link to employment outcomes. This requires industry input at a regional, state and national level. We must return to an industry led system, where employers and unions work in partnership with governments to establish the necessary skilling frameworks. We need to establish future labour market and skills forecasting as well as have a more integrated approach to it from governments, both state and Commonwealth.

In regard to the need to increase structured industry training leading to national qualifications, you only have to look at the ABS data. Only one-quarter of training is being delivered under national training packages. Government funding should be better targeted to leverage employer investment in training. The ACTU is flexible about the mechanisms. We do not mind whether they are training levies, credit workplace plans or the like, but they must ensure greater accountability and be linked to skills development. We have a specific proposal for existing workers; it involves a system of government grants where individual workplaces and enterprises could apply for funding. Funding should be linked to criteria, which we loosely call a training plan. The criteria should be as follows: grants should be provided where employers are matching funding to at least the same amount of funding being sought; training must be delivered by registered training organisations in structured industry training, leading towards national qualifications, including recognition of current competencies and prior learning; grants must be applied in agreed target areas, that is, in important areas of the economy where identified skills shortages exist; and training must be undertaken in accordance with an agreed workplace plan.

We think those criteria are sensible if we are going to arrest the deficiency in the skills base of the existing work force. But we also think they are an investment in a highly skilled nation—and we sorely need to be confident about that. Employers are talking to us about what they call a learning bonus. We are open to that; we believe that, whatever you call such a plan, those criteria should be applied to make sure that, while the incentives are there for the very good models of training for existing workers, they mitigate the shonky case studies that we have provided for you today.

We obviously need to improve the quality of training—this will be my last series of points. We need to exclude existing workers from training contracts. If we adopted the proposal I have just put before you, we could build in more accountability and checks and balances. In other words, the entry level training contracts and training for existing workers could be divorced from each other to the extent that they become separate and distinct approaches to two sets of needs.

We need to seek a separate funding arrangement to facilitate training for existing workers, as I have indicated. If you look at the rough figures that we have come up with, we believe that, of approximately \$1.275 billion spent on the New Apprenticeships system for the 2001-02 financial year, \$105 million of Commonwealth incentives and \$252 million of TAFE-RTO funding is being spent on existing workers. It is probably not enough but it is not a bad base to start from—a \$357 million funding arrangement whereby you would invite good models from employers who are prepared to match that on a dollar for dollar basis as a learning bonus if you adopt the employer's title, based on these training plans, to start to deepen the skills base of the existing work force.

We therefore say to you that you need to have a good look—and we would invite you to have a good look—and assist us to understand who is driving training, because if we do not link the training back to industry needs rather than to dollars and the notion that you can basically get dollars for doing very little, then the taxpayers' money is not being used well and, frankly, the needs of working people, our members and indeed industry are not being met. So we certainly need more rigorous auditing processes.

I will conclude, unfortunately, on a negative note. While we accept that there are some very good training models and we should be building a good practice database, there are nevertheless some incredibly shonky case studies, which are really an abuse of taxpayers' funds. We have provided you with some scenarios or case studies that are examples of this, but I will give you four examples now. We know of an airline ticket operation receiving \$60,000 in Commonwealth subsidies that employed 44 staff as trainees. Those trainees received no training before being sacked after 13 weeks. A clothing company that received more than \$400,000 in Commonwealth subsidies signed up 300 of its 350 existing workers to traineeships in skills they already had. A fast food franchise received almost \$1,400 in Commonwealth subsidies for one trainee, who received no training and was sacked just before the end of the training contract. A utilities company signed up 200 of its existing workers as trainees in order to receive approximately \$275,000 in government subsidies.

We are not opposed to employer subsidies. We are not opposed to incentives. In fact, we want to talk more extensively about how you provide, if you like, differential subsidy support for training effort and, indeed, qualification in terms of hierarchy of skills learned and earned. Nevertheless, this cannot go on. We cannot have taxpayers' money being used to exploit working people as a cheap labour source with, frankly, no real effort being made to deepen the skills base in the process. I can only congratulate the senators involved in undertaking this inquiry. It is very serious for our members in terms of security and labour market opportunities. For the competitiveness of the nation in what is now a global context where innovation is everything, it is certainly a critical area of public policy.

ACTING CHAIR—Ms King, do you want to add anything to that?

Ms King—No, not at this point.

ACTING CHAIR—Ms Burrow, you are aware that I have considerable interest in these matters and have had for some time. I have watched the transformation in the vocational education system in this country since the reforms were commenced by the previous government—that is, predicated on the assumption of a tripartite approach to the reform process. That tripartite process was often exemplified by organisations such as ITABs. The

ITABs are being wound back by the Commonwealth, and that obviously has consequences for each of the states, which do not tend to pick up the money. What is the ACTU view on the withdrawal of ITAB funding?

Ms Burrow—We are very concerned about the withdrawal of ITAB funding. At the moment, there is no funding for state ITABs and yet, if we are very honest, we do not have an integrated national system. So there is no relationship for state ITABs with state governments, in terms of implementation of training that is funded—at least, by the Commonwealth government. In addition, the current review of national ITABs is of grave concern. We do not oppose reform. In fact, we think there is absolutely room for some amalgamation, some merging, some focus on where there is commonality of skills requirements in terms of training packages. We also think that the nature of industries shifts, in terms of an emerging framework where you can group industries together.

But I would have to say that we remain enormously concerned about two issues. One is the size of some of the ITABs, and the capacity for smaller groups to get lost—even though they might be critical or niche market areas. In regard to size and some of the sheer challenges, if you take retail, one of the proposals is to group retail, tourism, entertainment, sport and hospitality. You would have a better idea of what percentage of GDP those industries make up, but it is an awful lot. An ITAB that is being considered—which has some linkages but, again, is huge—includes finance, CREATE, which is all of the entertainment area, IT and T, education and business services. That is a huge area of the employment base. I suppose the question is really around whether or not you can do justice to groups like light manufacturing, in the context of a huge manufacturing ITAB—that is for debate. I do not believe that the employers and unions are being anything but constructive around this, but we do have concerns that by saying that there can only be six to 10 ITABs you are denying the realities of industry sectors that need attention.

The other issue is money. In a \$4.3 billion budget, why would the Commonwealth government want to say that ITABs—which are supposed to be, as you said, Senator Carr, the driving force of industry advice and industry standard—should only get \$15 million? So the rigidity of having six to 10 ITABs, regardless of size or capacity to deal with industry sectors, and only \$15 million to do all that work, out of \$4.2 billion, seems to us to be more a statement about undermining the industry led system than anything else.

ACTING CHAIR—The whole concept of an industry led system was integral to the establishment of the ANTA arrangements. From my understanding, ‘industry’ meant both unions and employers.

Ms Burrow—Absolutely.

ACTING CHAIR—Do you think it still means that?

Ms Burrow—I think that, if the government could have its way, it would not mean that. At the moment, there is still enormous cooperation between employers and unions on the need for an industry led system—that is a common view. I think that both unions and employers are as frustrated at the breakdown in that structure as anybody else. If you look at some of the emerging debates, through what is still a draft national strategy—and I pay that due respect: it is a draft—then you will see this notion about individual employers and individuals creeping up as

being at the centre of the training agenda. Frankly, that is a dangerous thing for the Australian economy.

ACTING CHAIR—It is that model that appears in all government statements now—not just in this one draft strategy. The overwhelming weight of evidence points to this view coming through all the government’s statements. We used to look to the ANTA board on the issue of the structure of the sector—that is, who was actually involved and/or represented. Do you think there has been a commitment to maintain that tripartite approach through the ANTA board?

Ms Burrow—From our perspective, the answer has to be no. When you have a very clear view from the government that they do not want the peak employer and union groups represented at the highest levels on the ANTA board to drive that commitment to industry, training and development in Australia, then certainly we have some grave concerns. We have been told that there are people from the employer groups and from the unions who simply cannot be appointed at the level of presidents or CEOs.

ACTING CHAIR—Are you saying they are vetoed?

Ms Burrow—Effectively, that is the reality. While I think that the expansion of the board to include some greater linkages to employer groups is something we should consider, the fact that we have a government that is not prepared to have senior officials—presidents or CEOs—on the ANTA board, given the importance of this to both employers and industry, makes no sense to me.

ACTING CHAIR—I have heard rumours that this proposition that you put of a veto was a decision taken at cabinet level. Is that true? Are you aware of that?

Ms Burrow—My understanding is that if it has not been taken at cabinet level, then certainly the minister is not prepared to take propositions that entertain the appointment of CEOs or presidents from those peak bodies on the ANTA board.

ACTING CHAIR—That changes the way in which the system actually works, doesn’t it?

Ms Burrow—It says to us that the industry driven nature is at risk. If you are restructuring ITABs and defunding them or reducing funding, if you are not serious about asking employer groups and unions as the industry partners to put very senior people on to the ANTA board as a symbol of the importance of this work, then what you are actually saying is that somehow or other the national nature of an industry led system is not as important as it once might have been.

ACTING CHAIR—That principle goes right through the structure though—through the quality councils and all the various other reputable bodies that make decisions within the Australian vocational education system. In the past it has been predicated on this tripartite representation. Are you aware of any other changes occurring, for instance on the Quality Council?

Ms Burrow—We have one representative on the Quality Council, Mr Julius Rowe from the AMWU. When I am aware of very important discussions going on, they often arise out of work the Commonwealth is doing. At the moment, there is some work going on under DEST,

although the ANTA structure provides the secretariat which is called the red tape committee. It is about the nature of training contracts, the issue of probation—very important issues. We are disturbed to know that the unions have not been invited to have anything to do with that, despite the ownership of the training contract between the industry parties—being the employers and the unions. There is a deliberate lack of consciousness about the importance of the industry led system.

ACTING CHAIR—In relation to the issue of employer subsidies, the figure is roughly \$500 million a year now. If you are looking at one particular item that is driving the system in financial terms, it is those incentive payments. When I have raised the issue of quality assurance, I have been told, ‘We’ve got this new committee’—they just changed the title—‘and we’ve got improved auditing procedures.’ The other defence is, ‘This a matter for the states.’ Are you satisfied that the auditing procedures to check Commonwealth moneys are adequate to stop this sort of rorting?

Ms Burrow—Clearly, we are not. That is why we put forward a proposal that is positive because it focuses on how to fund the training of existing workers and, in our view, sets the criteria by which you could seriously audit a training plan put forward by an employer seeking an incentive grant, a learning bonus or whatever it is called.

ACTING CHAIR—What additional actions do you think should be taken? For instance, there is talk of a national legislative response to these issues. Do you think there is adequate legislative protection for apprentices, new apprentices or people who actually want to participate in the system?

Ms Burrow—No, we do not. In fact not only are we concerned that there is no legislative base on which employers who misuse taxpayers’ funds can be called to account but there is nowhere for workers, particularly young people who have found themselves in this situation of being paid a low wage called a training wage, effectively to be employed with no training, and therefore they end up with no qualification. We get asked constantly: where can we go to get this redressed? The truth of the matter is that if they ring the Commonwealth, whose scheme the New Apprenticeships scheme is, they get no action. If they ring the ACTU, we try to assess the situation, but there is no framework with legislative underpinnings whereby we can prosecute such action.

ACTING CHAIR—Commonwealth officers will no doubt tell me at the next Senate estimates when I raise these matters that these are matters covered by the various crimes acts in relation to fraud. How adequate is that as a means of stopping rorting?

Ms Burrow—With due respect to government officials, when the department responsible actually prosecutes an employer for fraud, for misusing money like this, then we would say that the system has adequate protection, but I think that I will not live to see the day.

Senator ALLISON—I invite you to expand on your proposals for the existing work force. It seems to me that you make a very good proposal that there be government grants and one-to-one and so forth, and a framework within which you would meet the criteria. Where is the problem in terms of upskilling existing workers? Can you say that it is with small business or with particular sectors? Is it anticipating the industry change into the future in the way that you would like to see it? Is that where the problem lies? This committee has not heard a great deal

about the existing work force thus far, and I think it would be valuable for us to understand where you see the problems.

Ms Burrow—The first thing is to understand that, where employers contribute money, sadly the structured training that is provided is around 10 per cent only of the total of that amount with regard to those areas where there are skills deficits. If you look at some of the statistics, structured training was highest amongst government administration in defence, with 88 per cent of the dollars being spent there. Electricity, gas and water was 87 per cent and education, 73 per cent. At the lower end were construction—a huge area of skills deficit—42 per cent only; manufacturing, 43 per cent only; retail trades, 34 per cent; and transport and storage, 17 per cent. So we really need to find a way for employers to spend what money they are spending, let alone additional money, in a more strategic way, and that is why we propose some form of criteria which would link with a training plan, with grants available.

Senator ALLISON—If it is not being spent on what you call a strategic approach, how is it being spent? What sort of training is being provided?

Ms Burrow—That is a very good question. We are told ‘firm specific’ when we ask. But if firm-specific training leads to no prior learning, acknowledgment of current competencies or national qualification, you would have to say in a sense that the workers themselves are not gaining from this, and I would argue that industry is not either. So we do not want for a minute to suggest that, where there is good practice by employers, it should be discontinued or discounted but that, rather, it should be incorporated into the kinds of plans that show that it is effective, structured training and leads to a qualification. The unions themselves are debating a model which is alive and well in Britain, where you would put workplace learning coordinators into business and industry. They would be representatives who work with management to do skills audit, to facilitate training and the like. The British government has adopted this model and, to date, we have seen thousands of workers trained. The ambition is that 22,000 workplace learning representatives and 500,000 existing workers be trained in Britain by 2010. Thinking of them as a competitive nation, we are not anywhere near that so we are not in the game. Your point about skills for the future, other than current skills deficits, is something we also think we ought to be focusing on. It goes back to some strategic thinking, in my view, about how you link R&D, which is a funding base we all agree ought to be increased, with training of the work force to make sure that the R&D dollar is linked with increasing the skills base so we can benefit through industry application.

Senator ALLISON—To pursue that point and link it with the comment you made about an ageing work force, this committee has heard on numerous occasions of the great difficulties of employing people who are over 40 or 45. How do you see your proposal for a training grants program being informed by those demographics? What are the specific skills that that work force, which is likely to be shifted to someone else, will need? Are they going to be out there in small business needing entrepreneurial skills or do they need to be upskilled in IT? In a general sense, how is this informed by that approach?

Ms Burrow—There are two pieces to this debate. One is those employees made redundant post 45 years old who have an enormous amount of trouble getting additional work and the reluctance, if you like, of the employer community to employ older workers, irrespective of their skills base. Huge numbers of those people then look for the entrepreneurial opportunities that you are talking about, and absolutely need support in that area. There is another reality for

us, though, and the ACTU is doing some joint work with the BCA, which we hope to make available in the next couple of weeks, around what the issues are that we need to address in a public policy sense and also in a cultural sense, in terms of opening up people's minds to the possibility of retaining or employing older workers. Because individuals, given that people live longer, want to make choices, we certainly would not suggest that people who want to retire should not be able to but if people want to stay on either in a full-time or part-time capacity then the public policy and some of the legislative requirements that need to be put in place to make that possible, in terms of entitlements and superannuation, should be facilitated. We will need the skills of those older workers who choose to stay in the work force, unquestionably. But it is also a question of human rights. People ought to be able to make choices without the discrimination of some perceptions about ageing that are probably best left in another century.

Senator BUCKLAND—What are your views on the use of labour hire work in industry? Over the last decade and a half we have seen industry move away from directly employing their tradespeople to using contract labour when jobs become available. We have seen it happen in nursing and probably to a lesser extent—I might be wrong on this—in the teaching profession. Do you think this has had any impact on the training that we have been used to in the past; that is, apprenticeships and professional training?

Ms Burrow—It is of grave concern to us that the traditional apprenticeship numbers have fallen from around 140,000 to around 120,000, and that is an urgent area of repair that we need to address, particularly in the traditional trades. The question of labour hire more generally raises a whole set of issues for us around non-standard work, if you like, or precarious employment, and they go to the question of the employment relationship. Who is the employer? We have seen all sorts of discrimination because nobody, including the labour hire firm, will own up to employer status. In the case of the young woman who was sacked by a major company just recently for being eight months pregnant, the company claimed that they did not employ her; she was contracted from a labour hire firm for the last 2½ years—contracted to do the same job. When the labour hire firm was approached they indicated that she was just a contractor and technically she was still on their books and certainly was not entitled to maternity leave.

There is a whole set of issues around employment relationships. We believe the employer, the actual person who uses the labour of that worker, is in fact the person responsible for employment, and a number of cases support that. What it also raises by way of training, though, is a serious set of arguments because, clearly, if labour hire firms are seeking that small amount of money off the top as a profit base then they are not going to invest in training for labour hire individuals and neither will the employer, who believes they are actually employing them for a short-term contract even when that is frankly not the case. Casual workers, generally, are absolutely marginalised from effective training, and now that almost 28 per cent of the work force is casual that is a major issue in terms of the skills base. That goes without saying.

Ms King—We think non-standard work is a pivotal issue that needs to be taken into account. Casual workers make up almost 30 per cent of the labour force, but dependent contractors or contractors who basically rely on one client for their sole income now make up 10 to 11 per cent of the whole labour force. When you combine that with labour hire casual and part-time work, you can see that these people are not getting access to training and we have a huge skills deficit there.

Just coming back a point that Sharan made earlier, we see the need to really focus down at the regional level on some of these issues, to look at partnerships amongst businesses that operate within a particular location so that they can bring in the group training companies or the labour hire firms and look at the actual industry needs projected over a period of time. I think we referred in our submission to the Central Queensland employment and training strategy as a model that could be looked at. I am also aware that people are looking at things here in Victoria in the manufacturing industry on the same basis. But there is a need to start looking outside individual employers as the sole basis for training and to start looking at partnerships amongst providers and local industry employers—looking at things like accelerated trade training and coming back to the issue of the ageing work force and where you actually get people from if your recruitment base is not just young people.

Senator BUCKLAND—On the same theme, do you think we have had enough experience with casualisation and part-time work for tradespeople? I would again have to group nurses and teachers in that category. I am not saying that they are tradespeople, but they are certainly in that category. Do you think we have had enough experience of that to seek to draw the conclusion that the non-full-time work scenario, in itself, is preventing young people from being attracted to the more traditional trades and professions?

Ms Burrow—I am not sure we have any evidence of that, but it makes sense, obviously. The thing that is at issue for us is not whether it is full-time or part-time work but whether in fact it is recognised as permanent or continuing employment. The misuse of the term ‘casual’ is such that, if we were able to have everybody who has performed the same role for six months or more made a permanent worker—be it full time or part time as they choose—you would see the real percentage of casual workers, which would be well under 10 per cent.

Senator BUCKLAND—I have to say that I did not blink an eye at what you just handed us regarding some of your case scenarios. I did not think that was anything we did not already know, sadly, but it did highlight for the committee some very real issues that are out there. There are traineeship schemes where employers can take on someone for 13 weeks, get a lot of training money and use the trainee as a full-time employee anyway. Do you think there would be an advantage if, when signing on to those schemes, the employer taking on the trainee was required to give a specified period of engagement for that person beyond the 13 weeks?

Ms Burrow—I think it is unconscionable that an employer would take someone on for 13 weeks, give them a few hours training, get a subsidy from taxpayers’ money and not seriously look at whether or not they could give them employment post that date. The traineeships were set up to provide opportunities for people. Of course, we are not unrealistic about the employment market and the fact that it is volatile, but I think there is something quite unethical about people taking on trainees when they know those trainees are not going to maintain their employment.

Senator BUCKLAND—Have the unions been asked at any time by employer organisations or individual employers whether they can become involved in improving the job ready skills of school leavers?

Ms Burrow—I am not aware of any recent initiatives, but if you go back a decade or more—this is fairly sad, really—you will recall the great debates in the early nineties, where we had national committees developing the Mayer key competencies. They were meant to be embedded

in school curricula, in TAFE curricula and, indeed, in all forms of training provision. I understand that that debate is re-emerging under the guise of core competencies these days. It is sad that, because of the fundamental nature of our federated structure, we have wasted 10 years.

Senator BUCKLAND—Yes.

Ms King—I would like to add to that. You are probably aware of the ACCI's employability skills framework. That process of developing that proposal excluded the union movement, about which we are highly concerned, in particular because it has now got to the stage that it has gone to the MCEETYA level, where they have employed a consultant to actually go around and talk to people about their views regarding where these employability skills should fit in—should they supplement the Mayer competencies or should they become a new skills set that we should start looking at all of a sudden. As a major part of the industry players, we have not even been involved in it, let alone had a chance to really go through and critique, I guess, some of the assumptions or challenge some of the assumptions.

Senator BUCKLAND—Chair, I could keep going, if you like.

ACTING CHAIR—That is very helpful, but the time is getting away from us. Thank you very much for providing us with that advice, Ms Burrow and Ms King. I understand you are joining us in 10 minutes for the roundtable discussion, until which time the committee is adjourned.

Committee adjourned at 2.53 p.m.