



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE

**Reference: Current and future skills needs**

MONDAY, 5 MAY 2003

NEWCASTLE

BY AUTHORITY OF THE SENATE

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**SENATE**  
**EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION**  
**REFERENCES COMMITTEE**

**Monday, 5 May 2003**

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

**Substitute members:** Senator Allison for Senator Stott Despoja

**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 George Campbell, Stephens and Tierney

**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 11.23 a.m.**

**ALEXANDER, Mr Robert Ernest, Organiser, Electrical Trade Union**

**DOWLING, Mr Travis Eric, Third-Year Apprentice Formwork Carpenter, Oakdale**

**KENNEDY, Mr Gary, Secretary, Newcastle Trades Hall Council**

**LOBB, Mr Stephen, State Organiser, Construction, Forestry, Mining and Energy Union**

**MARTIN, Mr Dale Warren, First-Year Apprentice (Electrical), Hunter Valley Training Company**

**MOHAN, Mr Gerry, Union Organiser, Australian Manufacturing Workers Union**

**MOYLAN, Ms Janine, Manager, Hunter Valley Training Company**

**PIKE, Mr Chris David, First-Year Fitter Machinist Apprentice, Hunter Valley Training Company**

**SIMPSON, Mr Heath David, Electrical Apprentice, Downer**

**SULLIVAN, Mr Brendan, Electrical Apprentice, OneSteel Pipe and Tube**

**THOMPSON, Mr Nathan Robert, First-Year Electrical Apprentice, Hunter Valley Training Company**

**CHAIR**—I declare open this public hearing. On 23 October 2002, the Senate referred to the committee an inquiry into current and future skills needs. While knowledge and skills are the keys to a secure and prosperous future for individuals, communities and the nation, there are concerns about the low level of public and private investment in the development of our skills base. There is concern about the low number of highly skilled full-time jobs which are being created and which are being lost, especially in some regional areas. Questions are raised as to whether current training policies and programs adequately support the development of a high skills base and a culture and practice of lifelong learning. Unemployment remains unacceptably high, particularly in some regions and communities, and yet many employers claim to have difficulty in recruiting appropriately skilled people. At the same time, there are many training providers, employers and communities exploring innovative approaches to identifying and meeting their current and future skills needs. The committee would like to learn from these successful models. The committee has also identified other concerns, including the effectiveness of current training incentives and training policies where their skills programs can support a flexible labour market, the capacity of Job Network and other parts of the employment system to match skills availability with labour market needs and the adequacy of current consultation arrangements. The committee looks forward to consulting a wide range of industry representatives, 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 special rights and immunities attached to the parliament or its members and others necessary for the discharge of the parliamentary functions without obstruction and fear of prosecution. Any act by any person which operates to the disadvantage of a witness on account of evidence given before the Senate or any of its committees is treated as a breach of privilege. I welcome any observers to this public hearing. I welcome our first witnesses—representative of apprentices and union organisers.

The committee prefers all evidence to be given in public, although the committee will also consider any request 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. The committee does not have before it any submissions, but if any of you wish to make any preliminary statements, I now invite you to do so. Would anyone like to make any opening comments before we go to questions?

**Mr Alexander**—Just from the training side of things, the ETU certainly believes it is such an important area. The apprentice training has certainly dropped off with major employers in New South Wales, as I am sure the government and the Senate committee would know. It is very important that apprenticeships in these traditional areas get the recognition that they should in relation to training.

**Senator STEPHENS**—Thank you very much for agreeing to come today to talk to us. We have been holding these kinds of sessions around Australia and we have had an opportunity to talk to many young people who are participating as apprentices or trainees. We have been hearing from them quite interesting things about their training needs and how successful they have been in building on these skills. We have had some interesting discussions with some people who have been participating as employees of group training companies and those who have been directly employed as apprentices and trainees. We have had some very interesting messages from those young people about some of their concerns about their industry and their future. I wonder if we could start with some questions that some people might be able to answer for me. We have heard a lot about the loss of skills from industries and even that, as Mr Alexander said this morning, there does not seem to be a commitment to the apprenticeship structure any more. I would like to ask you people here about how you made the choice to become an apprentice. What motivated you to do that? What pathway did you take to become an apprentice? Someone might like to start the ball rolling about how they got recruited into what they are doing now. Travis?

**Mr Dowling**—I started off at school doing woodwork and light carpentry and knew then and there what I wanted to do—I wanted to become a carpenter and maybe become a developer later on in my life. Then, outside school time, I did a pre-apprenticeship course at night. Then I left school and did another pre-apprenticeship course—the first and second year in carpentry and joinery—and then I left and became a carpenter with Oakdale. That is how I started off.

**Senator STEPHENS**—So you did your pre-apprenticeship courses and you have now become an apprentice with Oakdale?

**Mr Dowling**—Yes.

**Senator STEPHENS**—You left in year 10?

**Mr Dowling**—I started year 11 and then left in first term, about three or four weeks into year 11.

**Senator STEPHENS**—Brendan, how did you get to do what you are doing now?

**Mr Sullivan**—I pretty much stayed at school until the end of year 12. During that time I did a subject called building and construction. They send you on two weeks of work placement. That was with N.J. Ryan Electrical, based at Thornton. After that, they decided to keep me on, to work Wednesdays every week. My school had only a four-day week. Instead of doing study skills or something at school I went and worked with them. I did the same in school holidays. I did that for about a year and then applied for the job at OneSteel. I reckon that is what got me the job—the previous experience.

**Senator STEPHENS**—What about you, Heath?

**Mr Simpson**—I went all the way through school. I did electronics at school. I always found that sort of stuff interesting. For three months after school I went down to a local auto-electrician—a workshop—to see a bit more if I liked it. I finished my year 12 and applied for a job at Downer. That is pretty much why I am here now.

**Senator STEPHENS**—Chris?

**Mr Pike**—I went to year 12. I did a metal course through school, in year 11. I finished year 12 and did the HSE test for the metalwork course and then applied for the job and got it. That is why I am here.

**Senator STEPHENS**—Nathan?

**Mr Thompson**—I finished my HSE. During year 12 I did an in schools course with Hunter Valley Training—a metals and engineering course. I went for an electrical apprenticeship because everyone I talked to said there is a lack of tradespersons so I thought there would be job security in that. I basically tried to become a full tradesperson.

**Senator STEPHENS**—Okay.

**Mr Martin**—On finishing year 12 I went straight to university and started chemical engineering. I got bored with the university side of it. I decided I wanted to have more hands-on experience, so I decided to apply for an apprenticeship through Hunter Valley Training Company. It is really good because it has got job security. I have pretty much got a job at the end of my apprenticeship, which is good to know, as opposed to uni.

**Senator TIERNEY**—What is the apprenticeship?

**Mr Martin**—Electrical. It is a higher engineering trade, majoring in electrical. I have a little bit of fitting and machining background as well, which is good.

**CHAIR**—Did any of you feel pressure from your family or friends about going into a trade? Did you know what you were getting into before you took the apprenticeship on? Had you all

done pre-apprenticeship training, the same as Travis had done, or had you done work experience, like Brendan had done? Did any of you come through the VET in Schools system?

**Mr Pike**—We did metals and engineering VET courses at Hunter Valley Training Company, through school as well.

**CHAIR**—Did you do that with any particular company?

**Mr Pike**—Yes, with Hunter Valley Training Company, who we are employed by now.

**CHAIR**—So you placed them?

**Ms Moylan**—We run the VET in Schools program. We run it for private schools, and we had been running it for public schools as well. They come from the schools one day a week and do metals engineering with us.

**CHAIR**—Do you have any relationship with any major industry enterprises?

**Ms Moylan**—They come to us to do the off-the-job training component. At the end of that they go out with industry to get their on-the-job training experience.

**CHAIR**—You do not have any difficulty with placements?

**Ms Moylan**—We have absolutely no difficulty. Last year, out of the 12 in schools, I think at least eight to 10 of them got apprenticeships from that program alone.

**CHAIR**—Would you know what the drop-out rate is for young people who have come through that system, who have actually completed their apprenticeships?

**Ms Moylan**—No, I would not like to state that on the record as I would not know completely just what it is. As far as our apprentices go, most of them have stayed in the apprenticeship they have been put into.

**CHAIR**—I think a couple of you said you were with the group training company. We heard considerable criticism from apprentices in Queensland about the group training, particularly about being used as cheap labour and not getting the full range of training in the various skill elements that make up the trade course. In fact, some of the electrical apprentices said that they had been refused their licences because either the paperwork was very poor or they had not completed the range of training required. Some of them had been required to do an extra five or six months of additional training to get their licences from the licensing board. Have any of you experienced those types of difficulties?

**Mr Pike**—No.

**Mr Thompson**—No.

**Mr Martin**—The training company teaches us a broad range of skills. My area is electrical, so they teach us a lot of different stuff involving the electrical field, which I think is good. I am

going into a mining company and they have the facilities to train us for the mining industry as well, which is good, but they are also teaching us the domestic side. We need to know the domestic side to actually get our trade.

**CHAIR**—Going back to my original question: did you get encouragement from your families to go into a trade? Did any of you feel under any pressure not to take up a position in industry as an apprentice?

**Mr Martin**—I had pressure to go to university to start with—

**CHAIR**—I thought you might have had!

**Mr Martin**—It was my choice to come into this apprenticeship, which is what I am doing.

**CHAIR**—Is it your intention to go back to uni at some stage?

**Mr Martin**—Possibly. If my host employee—the person I am going to be employed by afterwards—needs an electrical engineer or something like that, I would be willing to go back to university to do that.

**Senator STEPHENS**—Travis, I would like to come back to your experience, because it is a little different from that of the others. You seem to have a bit of a plan in your mind about what you want to do once you have finished your apprenticeship. You want to go on, as you say, and become a developer or something like that?

**Mr Dowling**—Yes.

**Senator STEPHENS**—Have you thought about the other kinds of skills you are going to need to make that happen?

**Mr Dowling**—Yes. I have already started doing a clerk of works certificate IV in building and construction, and I am in the first year of that. I go three nights a week—Monday, Tuesday and Wednesday. It is pretty full-on.

**Senator STEPHENS**—Is that for a year?

**Mr Dowling**—No, it is for two years full time.

**Senator STEPHENS**—That is a big commitment on top of your work as well.

**Mr Dowling**—Yes, it is, but I am hoping that I will come out of my trade and have a lot behind me. It should be good.

**Senator STEPHENS**—What about the business side of things?

**Mr Dowling**—No, I am not looking to go into business for myself. I have seen a couple of companies come undone, and I would not really like to put that pressure on myself or on a family or anything like that. I am not interested in going into business for myself.

**Senator STEPHENS**—Fair enough. Isn't that what a developer would be?

**Mr Dowling**—Not really—or it is in a sense. I really want to run big jobs; I would like to be something like a project manager.

**Senator STEPHENS**—That is quite an ambitious long-term goal you have mapped out for yourself. Does anyone else have a big picture plan like that? One of the other things that we have heard in the hearings around the place has been a lot of arguments for and against the idea of people starting apprenticeships at year 10. What do you have to say about that? For all of you who stayed on to year 12, what are the benefits of staying on to year 12 and doing an apprenticeship after that? Does anyone have a comment on that?

**Mr Thompson**—The HSC mathematics made it a lot easier to do the maths that are involved in the workshop in the electrical trade.

**Mr Martin**—We have a few people out at the training company who have come directly out of year 10 and they are having trouble with the mathematics that we have to do for the electrical trade. I had no trouble as I had been to uni, but I reckon going to year 12 is a big plus.

**Mr Sullivan**—I actually would rather have left at year 10. Now I think about it, the maths would have helped, but I could have easily done that with a tutor if I had had any trouble with it. I reckon if I had left at year 10 I would be better off.

**Mr Alexander**—Maths and science, as far as the electrical trade is concerned, is pretty important. The problem now is that maths is not compulsory in schools anymore at that level; they can pick alternate subjects to maths in years 11 and 12. It is an area where we have had some concerns in relation making sure that that maths level is there. At year 10 there are certainly options for apprenticeships, I believe. Depending on where you are going with your apprenticeship and what you are going to do, I think there is an opportunity for kids to leave at year 10 or even to be doing part of that apprenticeship as part of year 11, or something like that.

**CHAIR**—I want to explore that a little further. Ms Moylan, you may be able to help us. I am interested in the comments that both Nathan and Dale made. We were told, in the hearing in Port Augusta, by the principal of a high school in Whyalla that maths is not a compulsory subject after the first semester in year 11. She made the point, which I thought had some credibility, that employers were saying that young people did not have adequate literacy and numeracy skills—they are some of the soft skills they were talking about. She said that part of the problem was that there could be up to a two-year gap between the last time a young person actually dealt with mathematics in school and when they went for an interview for an apprenticeship if they completed year 12. That seemed to be a real deficiency in the system. I assume that Dale and Nathan kept up their mathematics in years 11 and 12, but a lot of kids do not. Do you get this experience with young people coming to your training company?

**Ms Moylan**—In our training company, for the electrical trades we do look to people with at least year 11 maths. But when we do our recruiting and selection we do ACER tests, and in those there is some mathematics and other things so that we can get a feel for what their level of maths or their numeracy and literacy are at the time we are recruiting and selecting them for apprenticeships. Also, for the first time, Hunter VTEC is trialling a new concept. We have had some funding from industry to trial year 10 in the schools program, so we now have year 10 school students attending Hunter VTEC and they are doing metals engineering. These are kids who were selected because they had a high risk of dropping out of school. We have brought them in to give them something new. That program has been working since February. The kids are very interested; they are all turning up and we are not having any absences. So we are finding that this is also working. We are not having any problems with maths or anything, but most of those are the metals. It is more for the electricals that we feel they need to have the higher level of maths. But with the ACER testing we do for all of our apprentices we find that we are able to find their shortcomings and address those.

**CHAIR**—Are you aware of whether or not the issue of this potential gap in the literacy and numeracy issue has been raised with the local high schools?

**Ms Moylan**—In our high schools, for the in school programs their first point of choice has to be the TAFE, so most of these people are going to a TAFE to do it. We are only able to screen private companies such as the Catholic schools and people who come on board with us, so I really cannot comment on what the TAFE is finding out there.

**Senator STEPHENS**—It is quite an interesting model which seems to me to reflect a little bit about Brendan's experience. Brendan, you were saying that you went to school four days a week.

**Mr Sullivan**—Yes.

**Senator STEPHENS**—How did that work?

**Mr Sullivan**—Monday, Tuesday, Thursday and Friday was school. Wednesday was basically do what you want. They said that you were meant to be at home studying or you could go to school to do studies courses, but on the Wednesday they offered me work. A lot of people did that as well to get their foot in the door for a trade.

**Senator STEPHENS**—Did you have longer school days on those four days?

**Mr Sullivan**—Yes, it worked out to about half an hour longer each day. Besides that, there was not much difference.

**CHAIR**—Was that day's work you put in on Wednesdays paid or unpaid?

**Mr Sullivan**—After the work experience through school, the Wednesdays were paid.

**CHAIR**—So there was an incentive for you to go?

**Mr Sullivan**—It did not start off paid, because straight after that work placement there was two weeks of school holiday. I did that unpaid and after that they offered me the paid Wednesdays.

**Senator STEPHENS**—Do you think that is a worthwhile model for young people, that it might work to develop some of the skills that employers have told us young people do not have? Employers have said that young people do not have what we call the soft skills, such as attending work on time, being able to speak to customers or to relate to your employer—those kinds of soft skills that we want people to have but we do not specifically train people for. Do you think that your experience is a good way of learning those kinds of skills?

**Mr Sullivan**—For sure. It definitely gave me a good idea in my mind what an electrical apprenticeship would be like and what I would have to do in the job. It was definitely a big plus.

**Senator STEPHENS**—Which school was that?

**Mr Sullivan**—St Mary's at Maitland.

**CHAIR**—Did you all know what you were getting into when you took up your apprenticeship? Did you all have knowledge of what was involved in an electrical or a mechanical apprenticeship?

**Mr Pike**—Yes.

**Mr Sullivan**—Yes.

**Senator STEPHENS**—What about the experience in the construction industry, Mr Lobb: how do your employers respond to that issue of year 10 or year 12? What is the industry's view?

**Mr Lobb**—I would say that the majority of our apprentices coming through the building industry are predominantly from year 10. As Travis said, a lot of our apprentices now are coming through the pre-apprenticeship training scheme. I was lucky enough, back in 1979, to start a pre-apprenticeship as a carpenter, and I think it came in around that time or a little earlier so I know how the system operates. It did become knowledge through the schools over the years that it was a good foothold to get in. I was not aware of what Travis said, that you can actually do it at night time now. Originally, when it was first conceived, it was a position that came in after you left school. For the construction industry the advantage has been the pre-apprenticeship scheme, and I would expect that the majority of them are coming through from year 10 more than from year 12. We may get a few of the year 12s that are looking for the high degrees, such as Travis is, for further roles as a project manager or as a senior manager on site.

**Senator STEPHENS**—There is obviously so much construction work going on in the Hunter—I was really amazed when we drove around this morning. Are there specific skills shortages?

**Mr Lobb**—Within the Hunter, yes. We seem relatively strong on the structural side, such as the formwork sector, which is reasonably strong. But we find that as we get more towards the finishing stages, such as the painting, wall and floor tiling and vinyl laying, there seems to be a

dropping-off in apprenticeship numbers there. The group training schemes have probably assisted more in the roles for the earlier parts of the job, such as the formwork sector, carpenters, joiners, the gyprock sector. It is more in the finishing trades that we seem to be lacking, especially in the Hunter.

**Senator STEPHENS**—Has your industry developed any plans to deal with that?

**Mr Lobb**—The CFMEU have one full-time apprentice organiser and an offsider to the apprentice organiser in Sydney. My understanding is they sit on numerous committees through our Sydney branch. Here on the central coast our Newcastle secretary was sitting on the Hunter group training board. Through Trades Hall there have been some discussions with regard to advising where we go with apprenticeships et cetera.

**CHAIR**—Mr Lobb, your industry has a training levy that I think applies in all states. In Brisbane they said it was 0.25 per cent; in Perth it was 0.2 per cent. How is that applied in the Hunter to training in your industry?

**Mr Lobb**—I do not have that information.

**CHAIR**—Are you not familiar with it?

**Mr Lobb**—No, I am not familiar with the finer points of it.

**CHAIR**—Do you have your own training companies in the Hunter or do you do it through HunterNet?

**Mr Lobb**—We do not have a training company within the Hunter.

**Senator STEPHENS**—Mr Kennedy, do you have any comments to make about the training levy and its application here in the Hunter in terms of the construction industry?

**Mr Kennedy**—There are numerous apprenticeship groups within the Hunter; I am not sure another one could stand the competition. I am also not sure exactly how the levy works. It is not applied in the Hunter. We do not have a CFMEU run group training scheme. But that warrants a bit more investigation. We have done a lot of work on master planning. We see a situation now where we have a shortage of form workers and, I believe, carpenters as well. We have got a bit of stability in the building industry up here for the next six to maybe eight or 10 years, with the Honeysuckle development and a few other bits and pieces, so there is an opportunity now to do some strategic thinking. Through the Trades Hall we have had meetings with TAFE about getting some sort of strategic thought into how we can address the situation in the area. I will find out more about this training levy and how it applies in the Hunter because I have never actually heard of it.

**Senator STEPHENS**—Our experience in Queensland is through the Construction Industry Training Council, so that might be a starting point for you.

**CHAIR**—The construction industry actually has a skills centre in Brisbane. On another subject, can I ask the apprentices what their experience was, if any, with career advisers at school? Were they helpful to you in making your career choices?

**Mr Pike**—Our school did not have the facilities to run a metals program. I went to our careers adviser and asked if there was any way we could get a metals program. The careers adviser then contacted the Hunter Valley Training Company, because our school had not done it before, so our year was the first year to do it. He sorted all that out and got it running for us. They were pretty helpful.

**CHAIR**—Was he encouraging?

**Mr Pike**—Yes.

**CHAIR**—Have any of the other boys had any experience with career advisers in school?

**Mr Thompson**—I did not really. I was at the same school as Chris. When I saw what he was doing each week, the next year in year 12 I wanted to do the same to get a bit of experience in industry. That is how I got into it.

**Mr Alexander**—I think that is where there is actually a failing. What we were talking about before in relation to the levies and the funding is a very important issue, but I think the careers advisers are the most important starting point with apprenticeships. We have just produced a 'Powering Up' CD which we have sent out to every school in New South Wales to let them know what the utilities industry—water, gas, electricity, power generation—is like to work in. We are finding that, with school teachers being the careers advisers, some career advisers get the job because it is the one that is left at the end. We find that they are encouraging kids to study and learn and go to university, instead of thinking at year 9 or 10 that there might be a career in the electricity industry or the manufacturing industry in the metal area. It is a really important area that we should be focusing on. On the electrical side of it, instead of targeting year 12 kids we are going to be targeting the year 10 kids so they realise that if they want to be an electrician they have to do maths in year 11 and they look at what opportunities are out there. Hopefully, they are all seeing these CDs in the schools because they are brilliant.

In relation to the funding, there seems to be a difference between the traineeships and the apprenticeships in terms of funding for employers. A traineeship seems to attract a different level of funding from an apprenticeship. For the life of me, I cannot understand why when there are young boys coming out of the schools to do apprenticeships in these ways. This is where there is a huge shortage of labour. We can see that in the next 20 years the skill loss there is going to be enormous if something is not done about it. I am not sure what levy the building industry has. Because I have just built a house I know there is a \$1 levy on a thousand bricks when you buy bricks for your house, so I know there is one there for the bricklaying industry.

Having an industry levy would certainly be a way forward in terms of getting funding into training and getting it managed by the industry that is involved or that has shortfalls in that area. It is a way forward in relation to getting more apprentices and encouraging kids to become apprentices out of years 10 and 11 instead of going to year 12 and uni. Even if they go to uni, we get kids at 20 trying to do apprenticeships; they are on first-year rates of about \$8 an hour and

they just cannot survive on it. There is another issue then in relation to how much you earn as an apprentice. The funding issue is really important. But I think it all starts with the careers advisers.

**CHAIR**—Have you attempted to talk to the local high schools about this?

**Mr Alexander**—We have not, although it is something that we have taken on board. I am involved with the electro-technology ITAB in New South Wales, and that is something that we are looking at and trying to focus on as a result of the *Powering Up* CD, which has only just been released; it is an excellent tool that the schools can use.

**Mr Dowling**—I am with Mr Alexander on that. When I went to year 10 and started year 11, the impression I got was: ‘You’re at school and we’re here to teach you in order to send you to uni.’ When I was at school in year 11, I knew what I wanted to do and I knew that I never wanted to go to university. But the teachers and the careers advisers still pressured me to go for a UAI and so on—to build up the amount of units, dropping subjects that I wanted to do, to build up for a UAI. They said, ‘If you don’t get an apprenticeship, you can still go to uni.’

**CHAIR**—Was that a general pressure across the whole of year 11 students?

**Mr Dowling**—Yes.

**CHAIR**—There was a general attitude at the school that you should do that?

**Mr Dowling**—The school was never trade-minded for me. There was nothing pushing towards a trade. Everything just pushed towards going to university, going to the next level of education.

**CHAIR**—Did you feel that that was because the school had the students’ interests at heart, that it felt that that was the best path for them to go on, or was this a sort of prestige thing for the school: ‘The more people we can get to university, the more that will give us a star rating as a school’?

**Mr Dowling**—That could be it as well. The larger the school’s university intake, the better it might look. When I went to school, I was never offered help to find a trade or anything like that.

**CHAIR**—Did you ask for it? Did you seek help specifically from them?

**Mr Dowling**—Yes. I asked the careers adviser at St Peter’s in year 10 what would be the best way for me to leave school in year 10 and get an apprenticeship. They never really gave me a hand. They said, ‘Oh, you probably ring up builders and ask them.’ So off my own bat I went and did the pre-apprenticeship courses. My father shunted me into doing that; he told me to do that.

**CHAIR**—Ms Moylan, what relationship does the group training company have with the local high schools? Do you have any regular consultations with them about the availability of apprenticeship spots or the suitability of kids coming out of the schools for apprenticeships and what is required to meet those needs?

**Ms Moylan**—In about September we go to the schools and give them an information day as to what we do at Hunter Valley Tech. We tell them that there are in-school programs running and in what areas and tell them a bit about that. At the same time, we tell them about any pre-voc courses that we have running at the time. That is basically it. We might follow up with some visits. But we also let the careers advisers know just what it is that we provide at the training centre.

**CHAIR**—But there is no ongoing relationship between you and the schools in a development sense?

**Ms Moylan**—There is more so with the private schools. We target the private schools because we do not get the public school sector coming to us. In the last fortnight or so, we had Mr Peter Gallagher from the Catholic Education Office come and visit us. We were having some problems with the in-school program and we wanted to get some feedback because, once they left us, we were having some problems with them going into a traineeship rather than an apprenticeship. So we brought the Department of Education and Training, the Catholic Education Office and some of our own representatives to a meeting to discuss what we could do to improve the situation. He would go back to his schools and tell them about that, and we would relay information as well.

**CHAIR**—Were they fairly responsive?

**Ms Moylan**—Yes, very responsive. They put up some ideas as to how we could overcome some of the difficulties we were having, and all left with a positive approach.

**CHAIR**—With your experience of training in the Hunter region, are you at the maximum in terms of the number of apprentices you can train, or is there scope to substantially increase it? We hear about skills shortages and that there are not enough tradespeople, not enough people in manufacturing. Is there a capacity to increase dramatically the number of people being trained in this area?

**Ms Moylan**—There certainly is. Five years ago, our centre used to receive government funding in off-the-job programs. We would run those for six months, and then industry and the mines would come and pick their apprentices from those programs. We do not have a lot of that running now. We would run about 40 apprentices a year but we are down to 15 for the first half of this year, so numbers have significantly dropped.

On the other side, through industry we have been fortunate to have been given some trust fund money, so we have run electrical, fitting and plant mechanic pre-voc courses in the last 18 months. Out of those courses, I believe that all 12 in the electrical have now been placed into real jobs or into further training; and, in the fitting area, most of the students have been placed. The newest one is the plant mechanics course. We tried it for the first time, and six out of the 12 have been placed into real jobs, with more to come as they get their licences or get older. So we are getting some good results. There are real jobs there, but we can certainly field more places at the training centre; there is no doubt about that.

**CHAIR**—Is it a funding issue?

**Ms Moylan**—Yes, there is a bit of a funding issue, because once all of this industry support runs out we will be looking to the government to put in some of the funding shortfall. We do a lot of other courses on a fee-for-service basis but we still need to have some other types. I recognise that industry needs some incentives and some financial support as well to be able to employ apprentices. There are the two ways that you have to look at it: you need some government support for the training and then you need to give support to industry to put those apprentices on.

**Mr Mohan**—Some years ago—I think it was about three—we set up a link in Sydney between our union and schools. I think the young chap mentioned the old metal work environment where the award went through massive changes. We had the award restructured with the actual competency standards, and there were schools down there that were picking part of that up. A young lad or woman who wanted to take on some of that work could actually get accreditation, to a certain point. Then, in the event of their taking a chosen trade, that could come off the time frame of that. Up here we approached some similar schools, and the problem seemed to be when we lined the schools up to speak to the TAFE—and bear in mind that the competency standards had come in. That is where the big confusion or lack of involvement came in. No-one would actually go to the schools and explain the competency standards and how they could apply in a module in the TAFE system. So that all fell down.

I often hear—even this morning I heard it—that the issue is funding, funding, funding. Through our enterprise agreements, we are currently trying to get a levy system to try to progress some of that. But clearly the employers are not coming to the party. They are saying that the whole apprenticeship system is too expensive, particularly for smaller companies, and that the actual framework of the jobs that they are getting does not involve major work; it might only last for a three months contract or that type of thing. But I think that is the way that we should be going with regard to young people going to school and picking up chosen areas, with that accreditation going all the way through. That is how we can coordinate it. When I get involved in it, it seems to me that it is all there but there is nothing to coordinate it. One aspect connects with the other and it is not just working to the other.

So yes, it is an expense, but we keep saying to companies that training should not be seen as an expense, because, at the end of the day, if we do not train then we will not have the people we need. So it is there; it is just a question of how we can actually set it in motion without doubling up on all the issues.

**Senator TIERNEY**—We did hear about one experience of work experience while at school or one day actually working on the shop floor and then moving that through to take up an apprenticeship. Was that the experience of most of you: that, before you started your apprenticeship, you had done a significant amount of work in the industry while you were at school—maybe one day a week while you were at school? Is that a common experience?

**Mr Martin**—I was always working towards uni, but my peers at school were doing that sort of stuff: they were working one day a week with the company that they were trying to win an apprenticeship with.

**Senator TIERNEY**—Were any of them doing TAFE work as well as working towards the HSC at school?

**Mr Martin**—No, they were just going from school.

**Senator TIERNEY**—Just straight from school?

**Mr Martin**—Yes, and working one day a week on site where they wanted to go.

**Senator TIERNEY**—Nathan, what is your experience?

**Mr Thompson**—Basically I only really had industrial experience in year 12 when I went to the Hunter Valley Training Company. Before that, our school did not really have that many opportunities with the industry. We had to go outside of the school to get them. As was being said before, basically the schools just work towards uni, towards your UAI, with the subjects that they offer.

**Senator TIERNEY**—Chris?

**Mr Pike**—Yes, I got in in the same way. My involvement with industry was through the course that we did. We had work experience for one or two weeks in year 10 and that was it.

**Senator TIERNEY**—So in years 11 and 12?

**Mr Pike**—I did the metals and engineering course through year 11 one day a week, but it was not with industry; it was at the training centre, so we really did not have that much involvement with industry.

**Senator TIERNEY**—The committee has looked at training centres around the country. How did you find the training centre in terms of giving you a realistic view of what to expect when you actually started your apprenticeship?

**Mr Pike**—It was good because at Hunter Valley Training Company a lot of the machines and stuff are the same as what you would have on site. It is pretty much the same as what you would get anyway, but at the same time you are receiving training, so it is just as good.

**Senator TIERNEY**—Does anybody else want to comment?

**Mr Simpson**—I did not really have much experience through school. Like has been said, you get one week out of your whole time at school to go and experience stuff. I went out off my own bat like a few of the other blokes and went down to a local auto electrician bloke and did three months unpaid work just trying to get a bit more experience of what it would actually be like to be an apprentice. That certainly helped me, I found.

**Senator TIERNEY**—Anyone else?

**Mr Sullivan**—I did the every-Wednesday type of work.

**Senator TIERNEY**—You mentioned that before, yes.

**Mr Dowling**—I just had the one week's work experience in year 10 and then got asked to come back in the school holidays for six weeks work. Then I went back to school and did pre-apprenticeship training.

**Senator TIERNEY**—Now that you are all in apprenticeships, how are you finding the balance between the general theory in your trade, specific theory relating to the job and your actual training on the job? Do you feel that in your apprenticeship you are actually getting a broad enough range of experiences so that, when you do graduate, you will be sufficiently experienced to take up the trade?

**Mr Simpson**—With my company, I get a fair bit of experience, like commercial and industrial work. I have found that tech has been a big help. In certain areas, it helps you out a fair bit and gives you good information and stuff like that.

**Senator TIERNEY**—Is that the experience of the rest of you, in terms of the usefulness of the TAFE material in what you are doing out in the workplace?

**Mr Pike**—Yes.

**Mr Martin**—Yes.

**Mr Thompson**—In electrical we balance the domestic and industrial work. I need the Hunter Valley Training Company during my first-year apprenticeship to be able to get my electrical contractor's licence, because I need the domestic side of it. I will then go on site, where I would not get the domestic experience. I basically need my first-year domestic experience to receive my licence.

**CHAIR**—Does the Hunter Valley Training Company map out a curriculum for each of the apprentices to ensure that they get the breadth of training required?

**Ms Moylan**—Yes. We have a full curriculum training program that is mapped out before they start. They have their assessment tasks and everything mapped into that as well. That is all set by the time they commence training with us.

**CHAIR**—Have you had any of the types of experiences that were described to us in Queensland where electrical apprentices were not getting through the licensing board because either the paperwork was inadequate or they had not done the range of training that was necessary—as Nathan said, things like the domestic house wiring type of thing?

**Ms Moylan**—We have a full electrical workshop on site. The boys do their training and their User Choice, which is the TAFE component, on site at Hunter VTEC. They do the first year of their TAFE and their second year of TAFE in the one year while they are with us. They get to pick up quite a lot of the skills that they need by doing it all in-house at the training centre.

**CHAIR**—At what point do they leave the training centre to go into industry?

**Ms Moylan**—It depends on their host employer. Some of them are with us for the first six months and then they go straight on site after that. Most of them are with us for the full 12

months. By the time they have left the training centre, they are more or less like a second-year apprentice going out. During all TAFE holidays, they go back to their host site to get hands-on experience.

**CHAIR**—So basically you have them work-ready by the time they go out on site.

**Ms Moylan**—Yes. They are definitely work-ready by the time they leave the centre.

**CHAIR**—Are they productive at that point?

**Ms Moylan**—Yes, they are productive. They have had a lot of hands-on experience. Our training is more focused on hands-on training. We have a lot of the equipment that the mines and industry use on site. We are a heritage site, but still we have a lot of those things, so they encounter that workshop experience with us.

**CHAIR**—We should have made arrangements to come and have a look at your site while we were here.

**Ms Moylan**—You can certainly come.

**CHAIR**—We may have to come back and do that.

**Ms Moylan**—You are more than welcome to come and have a look any time.

**Senator TIERNEY**—The previous inquiries into this skills area have been out to the Hunter Valley Training Company a number of times, so we have done it in the past.

**CHAIR**—I believe that has concluded the session. Thank you all very much for coming along this morning, particularly the apprentices, and for making your contribution.

[12.20 p.m.]

**BRAY, Professor Mark David, Co-Director, Employment Studies Centre, University of Newcastle**

**CROCE, Mr Nic, Consultant Researcher, Employment Studies Centre, University of Newcastle**

**MacDONALD, Dr Duncan Kimpton, Research Associate, Employment Studies Centre, University of Newcastle**

**CHAIR**—I welcome representatives from the Employment Studies Centre at the University of Newcastle. The committee has before it submission No. 41. Are there any changes that you wish to make to the submission?

**Prof. Bray**—We have some supplementary material but there are no changes to the submission itself.

**CHAIR**—The committee prefers all evidence to be given in public, although the committee will also consider any request 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. I understand that all of you wish to make a brief opening statement. Is that correct?

**Prof. Bray**—Yes.

**CHAIR**—Can I ask you to keep them brief to allow us time for questions. Professor Bray, I understand that you have to get away, so we will try to direct any questions we have to you first-up.

**Prof. Bray**—We have a brief document that sets out the things that we want to run through quickly at the start. The Employment Studies Centre is essentially a gathering of academics from the social science disciplines at the University of Newcastle. The centre is the channel by which we undertake contract research for a diverse range of client organisations. We are planning to do three things in this brief presentation: first of all, I will provide a brief summary of the submission and its implications; Dr Macdonald will talk about some supplementary material on two projects on group training companies that the submission mentioned but did not go into detail on; and then Mr Croce will talk a little about the aged care industry, which we believe is an area of special interest to the committee.

The Employment Studies Centre's written submission summarises eight research projects that were completed by the centre between 1999 and 2002 on behalf of several different clients. Those studies, as you have seen listed in the main submission, have many authors. It is only Mr Croce and Dr Macdonald who are present today, amongst those authors. One of the reasons why I feel able to disappear myself is that I am not a personal author of those studies, so I do not have a great deal to personally contribute in terms of the questions, I am sure.

The studies were mostly done through survey methodology that was designed to explore the experiences and attitudes of employers towards skill shortages, skill gaps, and skill formation and policy. The sorts of areas that we covered were: the changing patterns of employment—and in many ways the findings of the studies collectively confirm a lot of the well-known trends around the nation—the decline of manufacturing employment, the rise of the service sector, the growth of part-time and casual employment, the growth of female employment and the employment difficulties of both younger and older workers. The regional base of the studies revealed, though, some additional important trends, in particular the heavy reliance in regional areas on small numbers of very large employers whose employment patterns have a big impact on the region, and that runs alongside the very large number of small to medium sized firms. Clearly, in the Hunter and in regions generally, we also have a high proportion of long-term unemployed.

The key imperatives for the changes that we observed are very much new technologies, globalisation, growing competitiveness in product markets and the decline of the public sector, which have really driven a lot of the things that we observed. Within those regional economies, clearly different regions will be affected in different ways according to their industry composition. In terms of the specifics of the skill shortages, skill gaps and training observations, very generally the first point is that many variations were observed across industries and across regions, so in many ways it is difficult to generalise. One of the things that did emerge to us was an increasing tendency in labour markets towards two tiers of employees—with high-skilled employees on the one hand, and low-skilled employees who suffer low pay, job insecurity and unsatisfying work on the other.

The second point is that, despite the often high levels of unemployment in regional areas, there remain some significant skill shortages, especially at the top end of the labour market. The third point is that employers also identified significant skill gaps amongst their existing employees in terms of their skills and experiences. These tended to be less technical skills rather than the more soft skills, such as interpersonal and communication skills, management and supervision skills, planning, problem solving and so on.

The fourth point is that relatively few employers and workplaces seem to be committed to significant expenditure on training and this number seemed to be actually declining, often as a result of the imperatives that we talked about before. From the survey results across the studies we conducted, there did seem to be a fairly high level of satisfaction with the existing training provision mechanisms, and certainly the quality and the cost of training rarely seemed to be considered a significant problem.

Finally, there were a number of measures for improving the training and skill formation processes, but they did vary a lot from industry to industry and region to region. In construction, for example, there was a strong emphasis on the need for greater interfirm cooperation for the provision of training. In aged care, one of the issues that seemed to dominate was the flexibility of the way the training was delivered. In the Hunter region, the multi-industry study that we conducted focused very much on the relevance of training to the skills needs of employers on the ground. The apprenticeship study that we conducted focused very much on the declining numbers of apprenticeships and the links between apprenticeships and traineeships. The Central Coast study, by its nature, focused very much on trying to improve the work placement arrangements between TAFE and employers.

That is a brief summary of the submission. I will now turn firstly to Dr Macdonald to provide a bit more information about these new studies that we have done on group training companies that were not in the main submission. Then Mr Croce will talk briefly about the aged care industry.

**Dr MacDonald**—We did two studies on group training, both for the National Centre for Vocational Education Research. The first was a survey of group training companies. The main finding there was that the rationale for group training lies mainly in a series of increasingly significant impediments to investment in training by individual employers. These impediments include reduced organisational size, competitive and budgetary pressures, and the fragmentation and specialisation of work processes. We found that group training companies—by the way, they more recently seem to be termed group training organisations—were highly adaptive and responsive to their policy and commercial environments. We found that the newer organisations tended to be smaller, less likely to be in receipt of joint policy funding and more likely to be operating a variety of related labour market activities that have become available through deregulation. We found that group training appears to complement other training investment rather than substitute for it. We feel that, without group training, certainly less training would occur.

Then we conducted a survey of host employers. Unfortunately, due to the constraints of the budget, the sample was quite small, but we found it to be quite representative in terms of the size of organisation, industry and geographical location. We found a very high level of satisfaction with the services provided and a surprisingly high level of usage of group training by larger employers. We found that the main reasons given for using group training were savings on recruitment and selection, avoidance of administrative complexity, and savings on employment costs, rather than a lack of continuous work.

In terms of policy implications, the deregulation of labour market and training programs has provided an alternative means of financial support for the group training function, and I noticed that the representative from the Hunter Valley Training Company referred to this. But this does mean less government supervision and more emphasis on price as the basis of competition, rather than the provision of support services. This in turn may threaten the quality of training and training opportunities for the more disadvantaged.

**Mr Croce**—In the year 2000, the ESC was commissioned by Centrecare to undertake the study which investigated the economic significance of aged care activity in the Cowper electorate of New South Wales, as well as establishing the skills gaps and shortages in those workplaces. We undertook an input/output table analysis and this was used to identify and gauge as best we could the economic resources that are utilised in the aged care industry. We also undertook a workplace survey, and we used that to establish several attributes of the study area's workplaces and their current work force.

The main finding that flowed from this study was that there is a key difference between the health and community services industries and all other industries—the much lower contribution of intermediate inputs and a much higher proportion of the wages and salaries component of the primary inputs to production. This merely reflected the much greater labour intensity of health and community service industries compared to the other industries. The health and community service industries are also 3½ and 2.8 times more labour intensive than all other industries. The

aged care sector draws on a very wide range of local inputs from a broad variety of firms in the area. The sector also had total multiplier effects similar to most other industries. It also generated significantly more employment per dollar of output than the other industries, including construction. Again, this reflects the greater labour intensity attribute of this industry.

Most workplaces, however, cited inadequate funding as the main obstacle to employment growth, and the occupational profile was predominantly low skill. The occupations that were difficult to recruit included the professional, associate professional and intermediate clerks and service workers. The skills gaps reflected most other studies in that they were predominantly soft skills, such as managerial, supervisory, self-management, planning and problem solving, ability to use new technology and also, to some extent, numeracy and literacy. The growth in the health and community services industries has the potential to simultaneously employ greater numbers of people, given its high labour intensive nature but also to magnify the skills gaps and shortages that we identified in the workplace survey.

**CHAIR**—Professor Bray, can you explain for us what you mean by two of your key recommendations on pages 7 and 8 of your original submission? In recommendation 5 you say:

Ensure a balance of public and private training provision across industry sectors and occupations, with a continuing role for TAFE in generic skills development and key specialised skills.

What do you mean by ‘ensure a balance of public and private training provision across industry sectors and occupations’?

**Prof. Bray**—That was a recommendation that came specifically out of the study of the Hunter region back in 1999. I am afraid I am going to have to sidestep it a bit because I was not directly involved in that, but Nic was.

**CHAIR**—Are you talking there about the RTOs and TAFE?

**Mr Croce**—Sorry, I missed the first part of the question.

**CHAIR**—I am asking about recommendation 5 on page 7.

**Mr Croce**—That was predominantly RTOs, and also GTCs to some extent—but also a greater integration between the vocational education and training, now in its embryonic form, being undertaken in high schools, to initiate a career path.

**CHAIR**—I will come to that, because that goes to your point 6 about articulation between the school sector, the VET sector and the higher education sector. You have a joint campus, I understand, on the Central Coast and I wonder to what extent that is working within your university. We have had a fairly detailed discussion about this in a number of areas. We were told in Western Australia that there is a consultancy currently looking at this articulation issue, but the problem appears to be that there is no systemic approach being taken to dealing with it. It is very much a one-on-one between the local VET, the local TAFE and the local university and to some degree, as I think the Pro-Vice-Chancellor at Murdoch said to us, not even just on an institutional basis but even on an individual unit basis. They are looking very much at how you actually build a systemic approach to it.

As I said earlier this morning, I understand that part of the underlying problem here, which is not spoken about too often, is the funding arrangements and the fact that there are separate pools of funds which the university draws on, TAFE draws on and the school system draws on. Of course, if any of those funds leak into the other pot, then there is a deficiency in that sector, so it is a question of how you provide for that overlap. I wonder to what extent you have looked at this issue at the university or in your area and whether or not you have come up with any views or solutions to dealing with that part of the problem?

**Mr Croce**—We have not looked at it specifically as an issue. You have to bear in mind that the major of these studies were undertaken for specific purposes to appease the client. Certainly, the role of particularly private funding in training was something that was highlighted in a number of studies, but we have not looked at any possible solutions to it. I think that would require more research and also consultation with stakeholders that are involved in particularly a range of occupations that affect both trade and trainee oriented occupations.

**Prof. Bray**—One minor aspect of that that I have been involved in in terms of the administrative function that I have at the university is the very big pressure to improve the articulation arrangements between TAFE and universities. There is no question that that is happening on the ground big time but, in terms of the school, TAFE and university, we have not done anything specifically on those issues.

**CHAIR**—It seems to be an important issue in this whole field. You heard earlier the example of the young lad here who wanted the apprenticeship and pressure was put on him by the school to stay on and go to university. There is a lot of that pressure being driven by families as well, because we all want our kids to be better off than we were and we all have sometimes a convoluted view of what ‘better off’ means. Nevertheless, that is there. If you can break down this feeling that at 16 or 18 kids have got to make a fork in the road choice then obviously that is going to facilitate people being able to go into the trades areas and still have the potential to go on to university degrees. So the articulation seems to be a key element in that cultural shift, apart from anything else, and I just wondered what was actually being done on the ground in this area. As I say, we are aware of a consultancy in Western Australia that is looking at it, but I am not aware of it being looked at anywhere else. Moving on to your recommendation 12, which states:

Support the shift to employee driven, workplace centred learning as part of best practice organisational change and improvement, including the assessment of competencies for qualifications.

What are you driving at there?

**Mr Croce**—We felt that that was driven more towards ensuring that the skills that people came in with were relevant to the workplace. It was something that was attempting to give the workplace a much greater say in the course content of some of the training programs. That was reflected in not only the Hunter skills study but also the major construction study that was undertaken across two states.

**CHAIR**—In your paper, you raise the question about management experience. In terms of the construction industry, you said that there were skills shortages at both ends and part of that was attributed to burn out. You also raise it in terms of the aged care industry—that management and supervision skills were deficient. We have just completed an inquiry into small business, and one

of the major issues there was a lack of managerial skills in small business—business planning and those types of skills. I wonder whether or not you have given any thought to how you might address those deficiencies in terms of the business sector. How do you actually lift the managerial skills? The focus is on getting a skilled labour force, but at the top end no-one seems to be paying too much attention to having a skilled managerial force there who really understand broader business practices. Certainly, in the small business sector, a lot of businesses go under because they just do not know what they are doing. It really is, I suppose, learning by doing, and quite often it is too late for them, because by that time they have learnt that they are doing the wrong thing.

I wonder sometimes if the higher education system itself is contributing to this. In Sydney we have got something like three or four schools of management. The University of New South Wales has got one or two, the University of Sydney has got one, Macquarie University has got one and the University of Western Sydney has just opened one. I wonder whether that is a simple waste of resources and whether we would be better off having one significant school of management that was providing a wider range of training to the management sector in totality. Do you have a school of management here too at Newcastle?

**Prof. Bray**—We have a graduate school of business, which over the last two or three years has assumed greater autonomy from the faculty that we operate on campus. It is located downtown and is focusing more and more in fact on overseas students—something that is really being pushed by the funding arrangements in the higher education sector.

**CHAIR**—That seems to be happening in the Sydney environment as well.

**Prof. Bray**—Yes, and that is one of the great tragedies of recent times—that, in order to increase revenues, in order to cover the funding of the institution as a whole, graduate schools are being pushed to get full fee paying students. Some of those students are domestic but a lot of them are from overseas. Once you start pursuing those, you start neglecting exactly the sort of audience that you are talking about. That is an outcome of higher education funding in general.

There are all sorts of issues of accessibility and so forth in terms of trying to amalgamate those various schools, both within Sydney, where people would have to find ways of getting their education, and within the regional centres. Within the regional centres, I think there is still an important role for graduate schools of management. Whether they are going to address that small business problem or not is an interesting issue, because I think there is a fairly strong focus in the curriculum of graduate schools on really what happens in big organisations and the specialisations that emerge there, whereas the small business stuff is either treated as a separate issue or left to non-university education in TAFE or less structured ways, through things like the business enterprise centres and so forth that you have probably heard a bit about this morning.

**CHAIR**—We are aware that TAFE have an actual course, but they say they have no way of telling whether the students coming in are young people coming out of the school system and taking these courses as a substitute for what they might be able to get through the university sector or whether they are real business people coming in to learn the skills necessary to run their businesses. In our inquiry, we even talked about licensing arrangements—more to protect people before they spent their money on setting up a business that was not going to go anywhere. It seems to be an area of substantial deficiency and it is probably across the board. I was not

talking about the physical amalgamation, just the amalgamation of resources that are out there providing training in that sector and the capacity to reach, I suppose, a wider audience at the end of the day.

**Dr MacDonald**—Can I add to what Mark was saying. Newcastle is one of the last business schools to start to charge fees for the MBA. Before those fees were imposed, and to some extent afterwards, we did have a lot of people from the local business community going through the MBA course, and that provided very useful links for the university as well later on. But that does seem to have dropped off. Regarding this problem with small business, if I can go on to another point, the problems of management there came up in that study that we did on the transport industry—on the trucking industry. That was a glaring problem. Your mention of licences was something that came up there.

**Mr Croce**—I was also going to add that perhaps part of the solution also lies in addressing the lack of workplace culture. In a couple of the studies I was involved in, a significant proportion of workplaces simply did not have a business plan—that is, a year-to-year business plan, as well as, say, a three- to five-year plan for the business. If that it is seen as the norm, it would be a very interesting area of research.

**CHAIR**—Tragically, it is. That is the harsh reality, judging from our experiences with the small business inquiry. I am afraid that little real planning goes in.

**Mr Croce**—This cut across both large and small businesses in the two studies that I looked at.

**Prof. Bray**—Senator, I am afraid I am going to have to go. I have a class to teach on campus. I doubt I can answer many of your questions anyway, but thank you for the opportunity.

**CHAIR**—Thank you, Professor.

**Senator TIERNEY**—One of our problems in the Hunter is that we have lumpy unemployment outcomes when very major operations shut down—such as BHP, the electric company and National Textiles. We are currently facing the problem with Pasminco, and there are all sorts of retraining implications from that. Has anyone in your department done any studies on the training and employment outcomes when you get these massive shifts? For example, has anyone studied the BHP experience? I would have thought that was world best practice in terms of moving a work force through from where they were to the next stage of their career. Has anyone had a look at the National Textiles experience? Has anyone looked at these specific major shifts in unemployment in the region?

**Dr MacDonald**—I do not think so, unless some of the geographers have looked at National Textiles.

**Mr Croce**—Wasn't John Lewer's dissertation—

**Dr MacDonald**—John Lewer's study is specifically on the BHP experience. His PhD, which is very close to completion, researches that very thoroughly. I am sure that John would be more than happy to talk about his findings.

**Senator TIERNEY**—Did he specifically focus on the post-shutdown training?

**Dr MacDonald**—Yes.

**Senator TIERNEY**—That is what he looked at?

**Dr MacDonald**—Yes.

**Senator TIERNEY**—It would be very useful to get hold of that. I will make a note of it; thank you.

**Dr MacDonald**—There were also some studies undertaken, dating from the mid-eighties, which followed the people who left BHP in the big downsizing in the early eighties. They were conducted by Dr Moira Gordon and her husband, Professor Barry Gordon. Unfortunately, Barry has passed away since then, but Moira still has significant data. They revisited this cohort of people several times to see where they were up to, how many had dropped out, where they were in the work force and so on. But I do not have the findings.

**Senator TIERNEY**—We can follow those up. A common characteristic of all those changes was that the work force tended to be a mature age work force. I think the average length of service at BHP was about 24 years. I think it was even higher at National Textiles. Has your employment centre had a look at the situation of the mature age worker—one who has been in the same operation for a long period of time and then had to reskill? Apart from the specific studies you have just mentioned, has anyone had a look at that?

**Dr MacDonald**—No, I do not think so.

**Mr Croce**—No; certainly not over the last few years.

**Dr MacDonald**—Unfortunately, we have not looked at that.

**Senator TIERNEY**—One of the issues that has come up through the inquiry relates to industrywide training levies. We had the training guarantee in the early nineties, which was brought in by the Labor government and then abolished by the Labor government—and we, of course, have not reinstated it. The entire parliament saw some problems with it. It was too blunt an instrument: one level of training guarantee was not sensitive to the different training needs of different businesses or to the scale of the operations, whether small or big. But some specific industries, such as the building and construction industry, have brought in some training levies. Do you think there is perhaps some way forward for levies on an industry-industry basis for training? If so, how do you think that would operate?

**Mr Croce**—I think I would need to research a little bit more before I could give you a useful answer to that question, I am afraid. I have not really looked at it in depth.

**Dr MacDonald**—With regard to group training, what we found was that as government support, particularly on a per capita basis, started to decline and there was active encouragement, particularly in the early nineties, for GTOs to be more self-sufficient, they became more commercially oriented. That had to pick up whatever was available to survive. The danger with

that, of course, is that the less able fall by the wayside very quickly. To get specifically targeted groups, like people from disadvantaged backgrounds and so on, through training becomes a lot more difficult if they are going to be more difficult to place. Their whole orientation seems to change if there is not some kind of guaranteed government funding there.

**Senator TIERNEY**—One of the difficult situations we are in in the Hunter is that our unemployment levels run above the national average and, obviously, the state average. We have skills shortages in a whole range of areas. We have this mismatch. Do you have any suggestions in terms of strategies to try and balance out that mismatch? Obviously we would really like to employ people from the Hunter in the jobs that are available in the Hunter. Increasingly companies will tend to go for people outside the Hunter and employ them, and then we are left with the unemployment. Do you see any way forward in terms of reskilling existing population to take up the jobs that are increasingly available in these high skill areas?

**Mr Croce**—We did make one recommendation to the Hunter Area Consultative Committee, which was the commissioning organisation for the skills audit in the Hunter. That was basically to set up a regional skills network that was to monitor and also to liaise with industry bodies and training organisations to identify exactly the areas of skills shortages that existed and to implement training programs to address those areas. This was back in 1999, and it would be very useful to have a follow-up study and see exactly how that has progressed.

**Senator TIERNEY**—I suppose one area where we have a bit of an advantage over a lot of others is that, in places that we have gone to like Port Augusta and Gladstone that have big capital and big investment projects that come and go, there might be a really big gap between the big projects. In the Hunter, because of the size and the diversity of the economy, there are not quite those stop-start arrangements. Could you comment on this particular aspect of the problem of employment and training in the Hunter, the skills for these major projects and keeping the skills base here?

**Mr Croce**—I think perhaps the only valid comment I can make based on the studies that I have undertaken is to suggest that, as we did at the beginning of the closure of BHP, we continue to encourage the diversification of the Hunter's economy, because that will to a large extent hopefully alleviate the huge spike and hiatus that you get when there are capital programs in place.

**Mr Croce**—Also—and this is only an opinion—there needs to be greater consultation between trade training organisations and, particularly, skilled leaders in the area, in identifying new opportunities as opposed to attempting to skill up from a lower level. They also need to give greater emphasis to vocational education and training as a possible career path start, or a starting point, because in those areas it is hoped that there is a greater range of opportunities—rather than in one particular industry or several industries that may be associated with one large program such as a construction program or capital works.

**Dr MacDonald**—This issue of identifying the relevant areas for these people to be trained up in came through very clearly to us in that we had some interaction with the Commonwealth Rehabilitation Service at Maitland and they were desperate to know, 'Where should we be directing these people as they come back to the work force? We just don't know what areas we should be pushing them into.' Mind you, their need was not desperate enough for them to offer

us some funding to do a study but, anyway, they were very keen to draw on what we did have. This area is talking about their need for trained people, but what is going to be the situation in five or even three years time? That seems to be the worry of these people.

**Senator TIERNEY**—One of the hallmarks of this area is the tendency of this region to pull together when it faces a major crisis like BHP or a shutdown. I note in your submission that you think there is a need for better coordination between the TAFE, universities, other training providers, employers and industry associations, to develop more of a regional approach. I thought we were doing fairly well at that. Could you just comment on what areas you see as needing improvement in terms of your submission?

**Mr Croce**—I think areas that particularly need improving are areas that draw on possible apprenticeship and traineeship applicants directly from high school—that is an area that seems to be still in its infancy. We need to look at how that integrates with the TAFE system. Perhaps the next best is to approach business opportunities—in areas that do not exist here but that could exist here—that draw on established industries that would help support them: so, again, helping to identify future industries that have a broader range of effect, rather than simply initiating a new industry for the sake of implementing new job opportunities.

**Senator TIERNEY**—One of the things we saw in Gladstone—and we have seen it in other areas—was in the engineering area. They actually started back in the senior high school and lined up the sorts of skills and competencies. If the people coming out of high school wanted to move into a particular area—the Gladstone power station in the Gladstone case; it was a big employer in that area—they would do these school courses, and then they would go through to the institution and do apprenticeships. But that then formed prerequisite skills for engineering courses at university, and they would get some credit towards that. So that was all lining up. Are you aware of any such arrangements in the Newcastle area, or aren't we moving in that area to get that better coordination between university, TAFE and industry in training?

**Mr Croce**—Not specifically in that area. WorkSkill Australia Foundation has a program in the Hunter that is, to a large extent, addressing some of those issues, in that they are encouraging schools to promote career pathways and to introduce students to possible career pathways—and also acting as a vehicle to bring together training organisations and employers, as well as high schools. That is about as close as we come to it, I think.

**Senator TIERNEY**—Thank you.

**Senator STEPHENS**—Gentlemen, I would just like to go back to your submission, which I found very useful. In particular, if I could talk to you, Mr Croce, about the VET report *Current trends in apprenticeships and traineeships in New South Wales*. I found that quite revealing, in terms of the findings that you outline and some of the recommendations that you make. I was interested in particular by the last sentence at the very bottom of page 15 of that submission, thinking in terms of what the policy implications of your findings are really:

The principal policy question is that, given scarce resources for vocational training, is the expenditure of very considerable sums on employment and training subsidies for trainees, and the considerable cost of the attendant administrative apparatus for the system, actually meeting strategic skills shortages?

It kind of gets to the nub of the problem, doesn't it? The amount of funding and the fact that 85 per cent of trainee approvals are in those low-skilled traineeships did alarm me. Would you like to comment more about that finding and what you see as the implications of that happening?

**Mr Croce**—Perhaps what I can add is to say that, apart from it being a surprising finding, I think one of the implications is that we had concerns that some of the trades were being substituted for traineeships and this was one way of readily supplying the market with quasi-tradespeople. When we found—

**CHAIR**—De-skilling?

**Mr Croce**—De-skilling—yes, exactly. We found that there had been a very sharp rise in traineeships across the state over the 1991 and 1996 census periods. At the same time there had been a flattening off, if not a decline, in trade apprenticeships in some of the traditional areas such as metalwork and mechanics et cetera. There was a real concern that the funding would be not so much misused as not appropriately allocated to furthering the uptake of apprenticeships in the traditional areas.

**Senator STEPHENS**—Another comment you made that quite concerned me was that the level of non-completion rates of traineeships is so significant. Do you have any comments about how that could be addressed?

**Mr Croce**—Let me first say that in the subsequent study we did on group training companies another very interesting find came out. This was that the non-completion rate was not as high as we first suspected. What was happening was that people were leaving one area and going into another area. That was not being captured. It is not a matter of saying that there is a problem associated with that aspect but rather that we needed to further research and see the flow of how people are coming into one particular area of training and then deciding that it is not quite for them or that they do not see enough opportunities as a career path so they decide to move into a slightly different area. Duncan, I think you mentioned that there were quite a number of people who commenced a traineeship and decided to leave that particular one and undertake another one.

**Dr MacDonald**—The measurement of non-completion is a problem. Again, with group training, if they leave the group training company and they are employed directly by the host employer, that gets recorded as a non-completion of the group training, when really, of course, it is a marvellous outcome. So there is a problem with the statistics.

But I think there is another problem too that came out in some of the studies—particularly the school level VET study that you did. There is a danger that there is too much emphasis on vocational training and not enough on broader education, including communication, literacy and the attitude thing—although training attitudes is another matter. But the constant plea from employers in various work that we have done is, 'We're not very fussed about the their technical skills but, if we can have someone who will turn up regularly and apply themselves conscientiously, we will be very happy, thanks very much.' This was a problem that employers were saying about the non-completion thing—half the time these people just were not sufficiently interested to put in enough. So there needs to be a balance—there were some

concerns expressed that there was too much education in technical skills that very often proved redundant and not enough in terms of basic numeracy, literacy, et cetera.

**CHAIR**—Was there any indication in the survey you did that these changeovers were being driven by a desire to pick up the funding? Were these shifts out of one traineeship into another occurring simply to enable the additional funding to be picked up?

**Mr Croce**—I cannot say that I found any evidence of that as such.

**Dr MacDonald**—Certainly the traineeships are a lot easier, especially in the short term. I think the three- and four-year apprenticeships provide a much greater challenge.

**Mr Croce**—Of course, it will depend on the region. That will greatly influence whether it is more supportive of an apprenticeship training scheme as opposed to a traineeship, particularly given the current increase in the services sectors. There is a much greater emphasis on the workplace being able to have somebody trained, particularly within the first 12 months. It is a lot easier, both for the employer and the employee, to then seek out a structured career path from there. It will be very interesting to see whether metropolitan areas will differ from that because of their extended opportunity base.

**Senator STEPHENS**—The other point that you make in your submission is:

... rapid growth of trainee commencements have also produced poor quality training outcomes.

Would you like to elaborate on that statement?

**Dr MacDonald**—Not really.

**Mr Croce**—I think that again relates to the stage of our findings that suggested that there was a huge increase in traineeships but we were still finding survey results from workplaces that were telling us that, basically, the people who were coming in had skills that were not particularly relevant to the particular workplaces. It was in that context, I hope, to a large extent.

**Senator STEPHENS**—My concern was that you were suggesting that the training packages for some of the service industries were not as effective as they perhaps could be. Is that not what you were saying in that paragraph?

**Mr Croce**—Yes, that also, in the sense that, again, employers were not as pleased as they had hoped to be with the end product of their trainee cadets.

**Senator STEPHENS**—To what extent did you get a sense that that was because of the training packages per se?

**Mr Croce**—That is very difficult to generalise. In some cases it was particularly associated with an occupation and in other cases it was associated with the location of the workplace, in that it was difficult to get a training course or a trainee course that directly addressed the needs of that particular workplace. So there were a number of factors that were involved. The poor

quality, in terms of poor quality teaching as opposed to other aspects associated with the traineeships, was only one facet of it that we uncovered.

**Senator STEPHENS**—Going on to your aged care study—which I find quite interesting—in other hearings we have had discussions about the low level of training and qualifications in the community care sector. I thought that you would perhaps like to comment on what implications that has for training needs and whether or not traineeships have a greater role to play in that industry.

**Mr Croce**—That is a very important point that you have picked on. My concern was basically that, similar to the BVET study, the conditions were focusing on the lower end of the scale and they were not really offering it as a potential pathway or an entrance to something else that could lead on. I was very interested to see that some of the skills shortages that some of these workplaces were reporting included both low skills as well as skills shortages at the professional or associate professional levels. To my mind, the ideal situation would be that you would have young people coming into that particular industry at the lower skilled end of the occupation and progressing through to the associate professional and professional ranks in terms of, for example, registered nurses, occupational therapists, therapeutic therapists and a great range of services that a lot of these workplaces were reporting skills shortages in—as opposed to skills gaps, where people did not have the requisite skills.

**Senator STEPHENS**—To what extent is it just the requisite skills, or is it qualifications? I am thinking of aged care and the community care sector where we now have quite a compliance regime in terms of the regulation and accreditation of those kinds of facilities, which include having qualified staff. Has your work involved recognition of prior learning or assessment of current competencies to actually accredit existing workers in the aged care industry?

**Mr Croce**—Not directly. That was actually one of the recommendations that we made to a number of employers who were asking very much the same question. It would be very interesting to research that further and see to what extent that does exist. But, as I said before, to a large extent it really has to be aimed specifically at the area, the region and the industry that we are talking about. They each have slightly different requirements. I cannot see why, particularly in aged care, where you have non-residential community care, that could not be a stepping stone to a further opportunistic career path.

**Dr MacDonald**—But that all requires resources. These places are very much commercially driven. Where do they find the time and resources?

**Mr Croce**—One of the major obstacles to employment growth for that industry was a lack of funding, as opposed to a lack of skilled applicants.

**Senator STEPHENS**—Thank you—that was very interesting.

**CHAIR**—As there are no further questions, I thank you for appearing before us today.

**Proceedings suspended from 1.14 p.m. to 2.07 p.m.**

[2.07 p.m.]

**ELLIOTT, Mrs Kath, Executive Officer, Hunter Area Consultative Committee**

**SUMMERS, Ms Gillian Jannette, Chief Executive Officer, Hunter Economic Development Corporation**

**CHAIR**—Welcome. The committee has received a joint submission, numbered 78, from your organisations. Is there anything you wish to add to or change in your submission?

**Mrs Elliott**—I guess we can clarify it.

**CHAIR**—The committee prefers all evidence to be given in public, although the committee will also consider any request 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. I now invite you each to make a brief opening statement.

**Mrs Elliott**—We are here together because we both have some concerns about the issue of skills and skills development in the region. We are concerned that there is a possibility that if the Hunter does not pick up the mantle and run with this issue the region will lose a lot of skills. Large organisations in this region—for example, BHP, the Royal Australian Air Force, Goninan and Comsteel—who would have traditionally trained a lot of people in trade skills et cetera, have closed, are no longer taking on apprentices, or have vastly reduced their numbers. Consequently, in a number of industry sectors—like the aviation industry in this region—we have found that the average age of people with trade qualifications is getting up around 55.

We now have a lot of SMEs. Approximately 85 per cent of the businesses in this region are small to medium enterprises and 80 per cent of those do not engage in any form of training. So we are now relying on SMEs to pick up the mantle of big business and train people. But they are not doing that; they are not making a commitment. They see it as a cost, not an investment. This has concerned us rather dramatically, and we have developed a program whereby we would really like to elevate the awareness of training and education within this community, principally targeting small to medium enterprises so that they see the value of training and education not only for individuals but as an opportunity for their businesses to grow with skilled people. That is the subject of our submission today, which I will not go into in great detail.

We also want to promote the benefits and the importance of skills and training to the general community so that we can encourage people to take responsibility for their own education and see it as a lifelong learning exercise. We want them to begin to understand the issues about having more than one career in their lifetime and that the better educated they are the greater the likelihood of their having a well-paid job or jobs over their careers.

We have a broad range of commitments to a program to raise the awareness in this community from the local media. The Newcastle Knights are prepared to stand up and be exemplars, if you like, of education and training. Many of them have businesses and have undertaken their own education because, post football, they would not have a future without it. If you know anything

about football in this town, if you get the Newcastle Knights to sell a message you can get hearts and minds. We are very grateful to them for coming on board. We have discussed it with all the education and training providers, the registered training organisations, the group training companies and the Job Network, and everyone is committed to making this a local issue and developing a local solution. In a nutshell, that is what we are trying to do. In support of the program, Gillian has been working on the Hunter Advantage Strategy and would like to tell you about the sorts of issues coming out of industry that led us down this path.

**Ms Summers**—The Hunter Advantage Strategy is a regional strategy that has been around in some form since 1992. The last time it was looked at, the consultation processes with industry happened in 1999 and the strategy took us from 2000 to 2002. We have just gone through the whole analysis process again, talking to industry again, in developing the 2003 to 2006 strategy, which will be launched in June. Those two snapshots—1999 and 2003—show that skills shortages were certainly on the horizon for industry in 1999. It was more of an unconscious thing then, and industry were not particularly articulating it as well as they could have. This time around, though, it has been the No. 1 issue for them in the region.

I will summarise some of the key issues raised in the nine industry workshops that we held in February and March this year. We need to address an eroding trade skills base. We need to review traineeships and apprenticeships, particularly in manufacturing. We need to review the pattern of delivery and the framework of rebranding and modernising the perception of trades. The industry told us that they do not like the term ‘apprenticeships’ and that they do not even like the term ‘manufacturing’. They said that they would rather be known as technologists. They believe there is a certain stigma now attached to the term ‘manufacturing’, that it is seen as ‘old hat’. They want us to encourage and reward SMEs to train and to employ apprentices, hence the project that Kath’s organisation and our organisation have been working on together. Our aim is to bring together state and federal government funding so that we can bring together state and federal employment and skills programs and deliver and promote them with a regional framework and identity. I guess what we are saying is that there are fairly blunt government policies introduced across a nation or across a state and that, with a regional approach, we can sharpen them up and give them focus.

The other things they raised were enhancing business management skills across industry sectors and addressing identified skills shortages to retain skilled labour in the region. Another thing that came out strongly was increased career awareness and pathways. We looked at the number of people in the region finishing their HSC and the correlation between that and our high unemployment rate. There was a firm feeling that, unless we could do something about retention at school and inherent qualifications there, we would continue with our higher unemployment rate.

**Senator TIERNEY**—On the figures that you gave on the SMEs—that is, of 80 per cent not undertaking any training—have you done a study as to why such a large group are not undertaking any training?

**Ms Summers**—We certainly got a lot of anecdotal feedback from our different industry sources.

**Mrs Elliott**—There are different reasons in different industry sectors. We have spoken a lot with the manufacturing sector because we have a diverse manufacturing base here. One of the issues with apprenticeships in the manufacturing sector and in the construction industry is that the supervisory skills are not available within a SME. You might want to take on an apprentice who is 17 years of age but, in their first year, he or she is pretty much or almost next to useless. They sweep the floor, they learn those sorts of things by osmosis, but they often get in the way. They have to have their occupational health and safety training and those sorts of things, but if there is nobody there to supervise them then they are not actually a productive member of the work force. The industry says that they cost money. Even though there are incentives and the employees, when they are apprentices in their first year do not cost a lot of money, it is still seen as a cost not an investment and it is a bit of a nuisance. In the construction industry, for example, bricklayers and plumbers—those kinds of trades—cannot leave an apprentice on a job because there is no-one there to supervise them so that the kid has got to go along with the tradesman all the time. So supervisory skills is one of the big issues that is stopping them training.

We talked to business about group training companies because that would seem to be a logical solution to that. When you do talk to them about group training companies, they can see the benefits of that. However, it often does not appear to us that they are aware of the benefits of going through a group training company, nor are many of them aware that group training even exists. That issue has been taken up a little bit by organisations like the Master Builders, and they now have their own group training company. HunterNet, an engineering group of companies, established their own HunterNet group training, so they almost become their own customers. They form a cooperative and then a group training company, then they have a vehicle which they can run their apprentices through. So that is one of the issues.

Another issue in small business is cost and incentive. Businesses will say to you from time to time—in fact, a lot of the time—that the incentives are not sufficient. I do know that in some industry sectors the incentives are perceived not to be too bad, so I think it is different across industry sectors. The other issue that we found with apprentices and trainees is that it is very difficult for them to understand the complicated, wide flexibility that is available. Many people who are in small to medium enterprises were apprentices 20 or 30 years ago. They understood the system very well then, and it was a designated pathway. Now the options are: ‘Would you like to train someone on the job? If you do, it is all competency based. You need to tick off or you need to keep a journal so that we know that what the young person is doing on the job is what they are supposed to be doing, and we will come in every now and again and tick off their competencies, but you need to manage them.’

A lot of small business owners are not competent at that. They want somebody else to take responsibility for the training. They want somebody else to take responsibility for the paperwork. They do not seem to want the responsibilities of those sorts of things. I understand from recent discussions that some of the registered training organisations are providing them now with a form where they can colour in the dots. Instead of keeping a journal every day, you can now colour in the dots. If the person is able to sweep, you colour in that dot. It is a computer-generated piece of paper. You fax it back and it is read by a computer. But if you want that service, you have to pay \$130 every time you send the form in on a quarterly basis. So business is saying, ‘I don’t want to keep a journal and I don’t want to spend another \$130 every quarter; why would I be bothered?’ So I guess that plethora of complexity about it frightens a lot of them off. It is certainly not a simple task.

**Ms Summers**—I might comment too in response to John's question. In the Upper Hunter in particular and, I think, in the Lower Hunter there is the feeling: if I do train someone and I go through that pain they are poached pretty quickly and I do not have any hold on them. That applies particularly in the Upper Hunter because of the mining industry, which will come in and offer that tradesperson \$40,000 or \$50,000 above what they might make in a manufacturing company so that they will go and work, at the same trade, in a mine. So the demand for those skills is also being driven by multinationals like mining companies.

**Senator TIERNEY**—You mentioned a number of the group training companies up here, and there has been comment on group training as we have moved around the country. In terms of the Hunter Valley experience, what is your view of group training as a technique for developing a sufficiently wide range of skills for people to have proper competencies at the end of their training?

**Mrs Elliott**—I can respond in a general sense; I am not an expert. The research we have been doing would seem to indicate that unless there is strong support for group training companies and if we continue to rely on SMEs the skills base is going to continue to diminish, particularly in the trades. I am not talking so much about traineeships that might take you a year to do and might be in the hospitality sector. There is no doubt—and I think Gillian would agree—that group training companies play a very important role in being able to stop that reduction in apprentices. If you are relying on smaller and smaller businesses to train, and they do not want to do it because of its complex nature and because the lack of supervisory skills and organisation, you have to offer them a solution that is going to be able to arrest that. From my limited understanding, I think group training companies are really going to be the answer.

I have spoken to a lot of group training companies in this region, because I understood from DEST that there might be a cap on numbers, and I understand that they can only take on a certain number of apprentices if they have a certain amount of capital investment backing them. So there is a restriction there on the numbers. For example, with our campaign we need group training companies to be supportive of it because any leads that we generate will go to the new apprenticeship centres and many of those new apprentices might then end up being part of a group training organisation. They have said to us: 'If you have a great success rate we may be capped on our numbers,' which I think is a real shame. If we are successful in generating leads and getting more businesses willing to take on apprentices, and they need group training companies to do that, it would be very disappointing to see that they are handbraked to the development of more apprentices because of the capping. So I think they are the key to the whole process.

**Ms Summers**—I might just add to that. I agree with Kath wholeheartedly, and I think the other element that needs to be in that mix to make it a success is industry. We have seen that with HunterNet, where they have actually formed their own group training company. I am working on two other projects at the moment in consultation with the ACC. One is in health, where we must have a Hunter Health involvement, so an industry involvement and a group training company. The other is in call centres, where eight of the large call centres in town have committed to put in large amounts of money to deploy a group training company to create a pool of labour, particularly using the disadvantaged. That project is at the concept stage but is fast being developed. So it is that nexus of government, industry and the group training company—the manager.

**Senator TIERNEY**—You mentioned call centres. I might just point out for our colleagues' sake that this is a very large and hidden industry on the very street we are on. Have you got the figure on the numbers employed in call centres within about 500 yards of where we are—or perhaps within a kilometre?

**Ms Summers**—I could take a stab at that. It would be at least 2,000 within a couple of blocks of us here. Two and a half to three years ago there were 1,000 people employed in that industry in the region. In the last 2½ to three years the figure has grown to 3,000 with the arrival of new call centres and the expansion of existing ones.

**Senator TIERNEY**—I make the point because if Newcastle loses 2,000 jobs out of BHP there are national headlines, and everyone sees that. What they do not see is the replacement of those jobs in almost equivalent number in call centres over the succeeding years.

**CHAIR**—You are not suggesting that 2,000 people out of BHP are all operating call centres, are you?

**Senator TIERNEY**—No. I am not suggesting there was an exact transfer, but I am sure some got jobs there.

**Ms Summers**—There is a bit of that.

**Senator TIERNEY**—Is there a possible mismatch of training and employment? We have examples in the submission—for example, on ITC—that only 25 per cent of graduates from the university get jobs here; they all head off to Sydney or somewhere else. So we have the skills here, and then they move elsewhere. But in other industries the movement is in the other direction—that is, they just cannot get enough skilled people in an area here so they import people. Do you have any suggestions about how we can get a better match between skills and jobs so that we do not have people leaving the region to get jobs and then having to import people for other jobs that the locals cannot get because they have not the skill level?

**Mrs Elliott**—I think it has a lot to do with the size and the diversity of the labour market as much as anything else. Sydney is an enormous labour market two hours down the road. I do not have an answer to that. A lot of people have often asked how you forecast what skills are going to be needed in the future so that you can gear up and have the right people trained in the right things to be there at the right time—crystal-balling. We commissioned a report a few years back now, entitled the *Hunter Millennium Skills Report*. I think you have had a witness from the Employment Studies Centre at the university. Have they spoken to you already?

**Senator TIERNEY**—Yes, this morning.

**Mrs Elliott**—They would probably be the best equipped to provide a forecast. One of things that came out of the study was that the most important skills for people to have in the years to come will be in the soft skills area. We did not get specifics on whether we will need more electrical tradespeople, more software engineers and fewer chefs. We just did not get that sort of information, and I think there is a fair bit of crystal-balling in that.

**Ms Summers**—Using the recently analysed trends between the last ABS and this ABS we drilled down to four digit codes by industry. In manufacturing we looked at growth, and the growth in the Hunter was in areas such as electronics, photographic and manufacturing equipment. We looked at all these statistics this morning in a manufacturing task force—this was on a measurement of employment only, not efficiency or output—and we had trended faster than the state average in those areas. But we had lost in areas such as bakery, food processing, footwear, leather goods and others that you would not be surprised at. At least those areas are lines in the sand, but that obviously feeds into a much bigger picture. So something like an Austeel or a Protech is going skew all that very much to one side.

**Senator TIERNEY**—We will not hold our breath to wait for those. Some figures were released last week by the Hunter Valley Research Foundation that showed that in ITC, for example, we were ahead of the state averages in manufacturing, as you say. Somewhat ironically, for the new information economy we are moving the other way and are behind the New South Wales average. There was job growth there but it was not up to the state average. As I mentioned before, University of Newcastle graduates cannot find the jobs that interest them so they go to Sydney. Are there any strategies for getting a better match in the new economy for Newcastle? The capacity for training is certainly there in the universities and TAFEs. As I mentioned before, we do have some industries moving in, but we do not seem to be quite up to the pace on it.

**Mrs Elliott**—The first thing I have to say is that when you are talking about percentages you have to take care because sometimes the numbers are not really big. You might have an increasing number of manufacturing jobs in a particular area but at the end of the day it might only mean 15 people.

**Senator TIERNEY**—I think it was global across manufacturers—sort of old economy new economy was the contrast in the graphs.

**Mrs Elliott**—Not having seen the stats, I am unable to comment too much on that. However, I would say that in terms of developing new economy jobs the ACC and the HEDC are beginning to look at the role that regional development can play in that. One of the early things we have been looking at is doing that with the University of Newcastle in biotechnology. If you look at the strengths of our university, there is enormous strength in biotechnology, and in other things too, but there is not a biotechnology industry clustered around the university and there seem to be opportunities for us to explore that further. The question we should ask ourselves is whether there are some regional development initiatives that we can do with the university, with some Commonwealth and state government money, that can begin to open up the university to business. At the moment the university is rather closed, even though they do not think that. I think Roger Holmes has recently been more accepting that perhaps it is the case that the university can be more open to industry and responsive to industry, because there is a tremendous pool of talent and skill within that sector and if we could start to cluster biotechnology companies around the university we would start to see those sorts of jobs. That is a very long-term strategy—we are talking 10 or 20 years out—but it needs to start now. And biotechnology is firmly on the agenda for the Commonwealth and state governments.

**Ms Summers**—It is similar to ICT strategies that the region has as part of the Hunter advantage strategy. I would like to take a different tack on that one, though, maybe a slightly

more controversial tack. As far as new economy old economy, new culture old culture for this region is concerned, I think it needs to be first from within the region but then with the will of government behind it. The Hunter is a unique animal. Geelong is becoming more and more a commuter area of Melbourne, the Illawarra of Sydney and the Gold Coast of Brisbane. The Hunter, with its proximity to Sydney, has a unique opportunity to be that satellite hub and emulate other successful capitals around the world, because Sydney is the key economic driver yet Sydney is choking. All the figures say that by 2020 passengers through the airport will triple, I suppose with SARS taken out as a variable. Similarly with cargo through Port Botany. To me there needs to be almost a vision that says that this region has the capacity already to be that satellite hub to Sydney that Australia so desperately needs. So it is not a state issue, it is a national issue. The infrastructure is here, the port is here, the hinterland is here, and transport planning, industrial planning and even academic planning and skills planning can then work around that initial vision. I do not know whether that is off the track—

**Senator TIERNEY**—No, that is good.

**Mrs Elliott**—In support of what Gillian is saying, if you take an example of transport infrastructure spending, we all know that billions of dollars are spent in and around Sydney on transport infrastructure just to ease congestion. I think the Park Street tunnel cost something like \$440 million, which might save a few minutes when you are trying to get trucks, buses and cars through the city. In order to build a tunnel through the Murrurundi Range, the MPT and the extension of the F3 to Branxton would cost you about \$480 million, I think. The economic driver that would create for this region would be absolutely enormous.

I know it is off the track, but look at old economies and new economies and how we try to get the skills to make sure we have the right people in the right place at the right time. Let me tell you that if we were able to do what Gillian was suggesting and we had the will of government behind us to say that Newcastle does offer a range of alternatives with its port, its air infrastructure and all those sorts of things, you would not have to worry about finessing it. You would have so much economic activity here that the jobs would flow. It would almost be academic to think about what sorts of skills we need. Once you started getting economic activity, jobs would flow. Look at the conglomerates of Sydney or Melbourne: they do not have to worry about the sorts of skills they have; they have them because they have the critical mass, if you like. They have the jobs.

On Friday morning, the Hunter Valley Research Foundation showed us the average unemployment statistics across New South Wales and across Sydney. There is still chronic unemployment in this region, so we are finessing—we are tinkering around the edges. The real issue in this region is chronic unemployment, long-term unemployment. There are thousands of people in this region who have been unemployed for longer than a year and who cannot get work. I do not think the state government or the Commonwealth government has an answer for that problem in this region. What is the national unemployment average at the moment? It is 6½ per cent or something like that. We have spikes all the time. We have chronic unemployment. I do not know the answer to it.

**Senator TIERNEY**—The unemployment levels are half what they were 10 years ago, but long-term unemployment is a particular problem.

**Mrs Elliott**—It is the long-term unemployed.

**Senator TIERNEY**—Yes. The long-term unemployed is a particular problem.

**Mrs Elliott**—Is the research foundation addressing you today or tomorrow?

**Senator TIERNEY**—No.

**Ms Summers**—That is a pity. That is the intractable issue.

**Senator TIERNEY**—Perhaps, Chair, we should ask the Hunter Valley Research Foundation for their documents from their quarterly report.

**Ms Summers**—That was released on Friday.

**Senator TIERNEY**—Thank you.

**CHAIR**—Just on that issue, I have heard it said that unemployment levels up here are in fact higher—that your unemployment levels are being masked by the fact that there is so much commuter traffic going down the highway to Sydney and that in fact unemployment levels are greater in the Hunter than is demonstrated by the figures. On the issue of old economy and new economy, one of the issues for Newcastle surely is the image. It is seen very much as a mining and manufacturing centre and not an IT centre. Some studies were done a couple of years ago by the social studies group at Monash University which demonstrated that 84 per cent of all the new economy jobs were located in Sydney and Melbourne. I think 54 per cent or more of them were located in Sydney or the Sydney environment. That is not going to change, and that is a global phenomenon. No matter where you go in the world, you will find that the hub of all activity in the new economy is around the capital cities—London, Dublin and so on.

**Ms Summers**—The models are there internationally—there is that satellite hub to a metro area. That can be set in place structurally if there is the will of state, local and federal governments behind that. Then national and state governments pick winners—the Hunter over the Illawarra. But certainly the models are there.

**CHAIR**—Where are those models internationally?

**Ms Summers**—London.

**CHAIR**—Where is the hub there?

**Ms Summers**—I am trying to think.

**Senator TIERNEY**—It would be outside London.

**Ms Summers**—Yes, there is a secondary hub outside London.

**CHAIR**—But it is in the London environment. I was there a couple of years ago and the British government are putting a huge amount of resources into trying to drive the IT sector out of the London region and looking at using the public sector infrastructure to get broadbanding services out into the regions as a precursor to driving the companies out to the regions. The Irish have not been able to do it. Despite the fact they have put broadbanding services into 67 cities in Ireland, they still have not been able to get the companies out of the Dublin region.

**Mrs Elliott**—There are a whole range of other issues with that when you have people working in those particular sectors.

**CHAIR**—There are whole networking type issues involved in it.

**Mrs Elliott**—That is right.

**Ms Summers**—The Hunter region is literally only an hour and a half from Sydney, so there are certainly a lot of synergies, and we have the infrastructure here as well as that social infrastructure. In relation to your comment about everybody driving down the highway and that affecting our unemployment statistics, my two colleagues from the region might correct me but it is more a Central Coast issue. I said that Geelong is a commuter suburb of Melbourne and Illawarra is a commuter suburb of Sydney, and we looked at the commuter statistics that say that at the moment not a lot of people do commute out of this region to Sydney.

**CHAIR**—That is not what the people at your university have said to me.

**Senator TIERNEY**—If you stand at the railway stations early in the morning you will see that the trains stop at the end of the Central Coast; it is not here.

**Mrs Elliott**—One of the issues for us is that we need to build on our own competitive advantages and strengths. We have a very strong manufacturing and mining base in this region. There is potential for us to capitalise on our location because of our port. Newcastle port is one of the biggest assets that we have but it is very underutilised. As a region, we are trying very hard to promote it as a secondary port to ease congestion in Sydney. Transport infrastructure, with a focus on Newcastle port, will deliver to us a great economic driver, which is not necessarily going to be in the high-end new economy stuff. It will be new economy because it will be done in a new way, but we are in a natural geographic location to take a lot of agribusiness products from the north-west of the state, which are currently going through Brisbane or Sydney. There is a lot of opportunity for us to build our container traffic. That will drive a lot of the activity. We also have proposals for steel mills, or whatever you call them, in the new economy.

**Ms Summers**—In the new economy; that is right. It is new steel.

**Mrs Elliott**—They are waiting for investment backers to be able to move forward, but they will create an enormous number of jobs. That is of concern for us because if Austeel or Protech begins we will not have the skills in the new 'old' economy jobs, if you like, to be able to put people in there. You will find that people will relocate into the region to take up jobs in Austeel and Protech, and the chronic unemployment of the long-term unemployed will continue. That is a concern for us.

I agree with Gillian; we need to do some work on new economy jobs and become more of a hub in our own right, rather than a satellite of Sydney. But our competitive advantage in heavy industry is something that we should not turn our back on. I get very concerned when I hear people saying, 'Manufacturing is old economy.' Let me tell you, manufacturing is not old economy. Look at the things that are being done in this region. Look at Waratah Engineering and at what they do. If you want something built around the world they will design and build it for you. It does not matter what it is. The skills that they have are unbelievable. They have an ethos of training their own people.

Manufacturing jobs have the greatest number of indirect jobs that spin off from them. Joss De Ilius at Waratah Engineering will tell you that, if he has a good design engineer, it can keep 18 people busy. That design engineer can design enough work for 18 people to continually work on the shop floor. So manufacturing jobs are extremely important and have great multiplier effects. We have the competitive advantage. We need some support to make sure that manufacturing is continually supported in this region. Too many people talk about manufacturing being old economy. I think that they are wrong, and the Hunter needs to stand up and very loudly tell them that they are wrong, because from what I can see there is not a great deal of government support for manufacturing. I do not know how that has occurred. Culturally over a period of time, everyone has focused on IT, biotech and all that sexy stuff but, if you look at the job and the multiplier effects in manufacturing, they are far and away better. We need to make sure that we keep pushing that point home.

**Ms Summers**—That was the point I made earlier about manufacturers telling us that they do not want to be called manufacturers anymore; they want to be called technologists. It is that feeling that they have been left behind even though they are still innovating and transforming.

**CHAIR**—But they are very much part of the new economy.

**Ms Summers**—They are; exactly.

**CHAIR**—We talk about the biotech or pharmaceutical industries. They are all manufacturing at the end of the day; it is just a different form. There is not much difference between pharmaceutical and bullet manufacturing processes. They are very similar. The biotech sector manufacturing process is very similar to what you would see in a flour mill, albeit done in a different, modern, integrated form.

**Ms Summers**—The other thing that I guess is related but may be at the other end of the pendulum is that we also have a number of programs to promote the economy and lifestyle of the region to make it a desirable place to relocate to. As skills come more and more at a premium, we have a project going with Hunter Health where we are pitching the education of the region and the shopping centres of the region to health professionals who may be interested in coming here. Similarly, we are working with the university. That is also a different tack we are taking.

**CHAIR**—Some of the evidence we have had put before us has argued that in fact there are not skills shortages—there is a skills shortage in manufacturing but not generally across the economy. There is a whole range of reasons given for that. One of the reasons given is

remuneration, for example. Manufacturing has been lagging behind what is available in other sectors of the economy—the more sexy areas of finance and so forth.

The other issue, which I think probably would be an issue somewhere like Newcastle, is the issue of job security in manufacturing. People have seen the dockyards close, they have seen BHP close, they have seen National Textiles close—they have seen a whole range of major manufacturing companies close here over the years—and they must say to themselves, ‘What’s the point of taking a job in manufacturing, if five, 10 years down the track the company is gone and your job is gone?’

We hear other stories about fitters and boilermakers driving taxicabs while we are out there trying to train people. I do not know how you deal with the issue of job security in trying to attract people back, but remuneration certainly has got to be an issue. In terms of the skills required, the wage rates that are paid in manufacturing generally are well below what is available in other sectors of the economy.

**Mrs Elliott**—Skills shortages can be in pockets too, for particular reasons. We have been involved in a project in the Hunter Valley wine country, in the vineyards, where they could not get hospitality skills, and still cannot, because they are located right beside a traditional mining community that believes working in restaurants and hotels is servile work and does not want to do it. So they have to pay people to drive out for 45 minutes from Newcastle to Cessnock, to the vineyards, and pay them \$25 to \$30 dollars an hour to pull beers in a hotel out there. That is because of their geography. The aviation industry is one that has skills shortages looming, because the average age of an avionics technician in this region is 55. So there are pockets of skills shortages that we see in different sectors, for different reasons. I would have to agree that manufacturing seems to be one sector where there are considerable skills shortages. Yet that industry is going to underpin the future of this region, so I think it is very significant that we try to address that.

**CHAIR**—Do you think there is a need for some guidelines to be set down about the operation of group training companies? There seems to be a variety of experiences around the country of how these companies are operating. We have heard that some appear to be very good. Hunter—

**Ms Summers**—Hunter Valley Group Training are very good.

**CHAIR**—Valley Group Training seem to be a very good provider of group training, but we have had other examples elsewhere in the country of what appear to be very bad examples of group training, where apprentices are being used, effectively, as cheap labour in some circumstances. I wonder whether or not there is a need for some guidelines to be set down to ensure that in the group training environment people are getting the sorts of skills that are required for the particular field of endeavour they are following and that there is proper record-keeping and so forth.

Just while we are on that subject, it does provide a very effective mechanism—given that a lot of institutional trainee structures we had, such as the utilities and so forth, have gone as a result of privatisation—but what we do about the freeloaders on the system, the companies who do not expend anything on training, believe that somehow or other the rest of the community will

provide the skilled labour force for them and see trainees simply as a cost? How do we get a contribution from them in terms of—

**Mrs Elliott**—It sounds like the old training guarantee levy coming back, doesn't it?

**CHAIR**—It has been argued to us that there is a need for it—albeit that it has been put to us in a different form. There is a pretty detailed piece of work by the Dusseldorp Foundation arguing for the reintroduction of a new form of training levy. But it is a question we have to confront—that this, how do we actually get the investment in training across the board and how do you ensure that everyone is pulling their weight, given that they are all drawing from the pool at some point or other in terms of their requirements?

**Mrs Elliott**—The training guarantee levy was a stick approach rather than a carrot approach. Having worked in industry at the time it was implemented, I know that a lot of it was spent inappropriately. A company's bottom line might say that they had spent seven per cent—I think it was seven per cent at the time—but it was spent on the top half of the organisation and not the bottom half of the organisation. I do not know that it in itself is a solution to ensuring that everyone carries their weight. The company might carry its weight, but it may be directing its training in the wrong areas. The carrot approach is a good way to go. What industry have said to me in my discussions with them is that they would like to see it linked to the taxation system in an incentive form so that if you made a commitment to training you would be able to attract some taxation incentive for doing so. You cannot make everybody do it and ensure that everyone carries their weight. But, at the moment, they are saying the incentives are not there. Taxation is driving the bottom line in a lot of organisations. Everyone pays somebody to minimise their tax bill.

Industries have said to me, 'Tax really drives business a lot of the time.' They are very focused on it. If you were able to give them a decent rebate for engaging in training so that it was linked to the tax system and they could claim it as a rebate, and it was a decent rebate, they felt the carrot approach would be quite a good way to go about it. Of course, businesses will never tell you that they would like to see a training guarantee levy or something like that because it is something outside their control and something they have to pay for. But they said that if you want to force the choice, if you like, then provide an incentive through the taxation system so that those that did engage in training were rewarded.

Also, there has been talk amongst industry that when they are engaged in training, like some companies that are doing really good things, they are not actually held up as exemplars by the government. I think there needs to be some recognition of this in some form—and amongst their peers, too. I know that is quite difficult down at the local level but they need more of that because they are going the hard yards, they are doing the right thing and, at the end of the day, they feel that perhaps they are not being recognised for that.

**Senator TIERNEY**—If they are training and it is a business cost, it is a tax deduction anyway. What sort of rebate on top of that are they talking about?

**Mrs Elliott**—At the moment, if you take on an apprentice you get something like \$4,000 back in your incentive payments—\$3,900, something like that. They are saying that that is not enough.

**Senator TIERNEY**—I see.

**Mrs Elliott**—I mentioned this to somebody recently in the government and they said, ‘What about the payroll tax exemptions?’ I thought that was interesting. I thought how many employees do you have to have before you start paying payroll tax? Most of these people are not even paying payroll tax—they are too small. That is just a furphy if you are an SME as it does not apply.

**Ms Summers**—The other thing is how could we get them to do it if we asked them to. If you are using a carrot approach, it really gets back to what Kath spoke about initially—that is, simplifying it and providing the support structures so that a tradesman has some confidence in his ability to train somebody else and also to embark on the whole training system. The feedback we get is that it is a labyrinth: there are so many different schemes; there is state government assistance and federal government assistance; there is this advertising campaign and that one; and they are just a little bit unsure about what to do and how to do it.

**Mrs Elliott**—The other thing is that the system is underresourced in terms of promotion. If you look at the new apprenticeship centres, they are funded by the Commonwealth to actually promote traineeships and apprenticeships, but they really do not have the resources to do it properly. We find that the resources are probably limited to sending people out on the road and doing it face to face. They are not able to get involved in any sort of widespread campaign. I know there have been campaigns in the past, and they are addressed in our paper, but I do not believe they are resourced enough to be able to promote it, to get out and to talk to enough businesses.

I was talking to some group training companies who say they do not get any of their leads from the NACs. They are engaging apprentices within their group training organisation and the leads are not coming from the NACs. You have group training companies doing the job of the NACs. It is not the NACs’ fault, but that is the way it occurs. You have RTOs doing the job of the NACs. In our own organisation we took on a trainee and the RTO was in many respects more helpful. If you look at the way NACs promote IT traineeships, they have to get an RTO to come with them to make the appointment because they do not understand the curriculum. If an employer says to them, ‘They are going to learn Java 1, 2, 3, 4, 5 and 6 in this,’ and you are a NAC, you have to promote a whole range of apprenticeships, you do not know. You have to take the RTO who does the training along with you to say, ‘Joe, can you answer that question.’ There are a lot of practical issues on the ground that perhaps are not evident in terms of policy making about how we deliver it.

**Senator STEPHENS**—I would like to change the focus ever so slightly to one of the key terms of reference, and that is the effectiveness of the Job Network. When we were in Queensland we had a Job Network provider talk to us about the difficulties that they were going to encounter with the new round of contracts, in many respects because of the regional rural incentives—the travel issue. I am interested in knowing whether, as an ACC, you have been liaising with the Job Network providers around here about what the implications of the changes to the new employment contracts are.

**Mrs Elliott**—No, I have not, mostly because the ACCs were previously under the portfolio of Employment, Workplace Relations and Small Business. When we were with DEWRSB, as it

was then called, we had carriage of facilitating Job Network within our region, so I had quite a lot to do with Job Network then. After the change in ACCs, moving over to DOTARS, that is not part of DOTARS portfolio anymore because that stayed with Employment and Workplace Relations. So ACCs do not have any role to play at all in the Job Network anymore. Consequently, I have not spoken with my local providers this calendar year and I cannot shed any light on that. I was very familiar with Job Network up until we moved into DOTARS, but after that I have not had much discussion with them.

**Senator STEPHENS**—Do I understand from that response that the shift of the ACCs into DOTARS has actually removed you from one of the key consultative mechanisms that you would have in terms of the employment issues? I am not trying to be clever. I am just thinking about where the Job Network, the ACCs and the sustainable regions programs are placed and how well we can interconnect some of those key mechanisms of government to try and improve regional economic development.

**Mrs Elliott**—As I understand it, ACCs, if they choose to, can still become involved with Job Network under DOTARS. However, the resourcing issues for ACCs mean that it is very difficult for us to continue to do that now that we have responsibility for other things that DOTARS want us to do. We have not been removed, but you would find that, out of the 56 ACCs, there are probably very few of them who are still doing it because it is not a focus of the department. It is not a key performance indicator for us anymore. If we would like to get involved in that, and we think it is important in our region, that is fine. However, it is not a focus of DOTARS. I think you will find ACCs are more focused on what DOTARS are focused on.

I think that is regrettable. In this region I did an enormous lot of work with the Job Network. We developed a skills guarantee model here, where we got them to work together to identify bigger picture issues like Austeel. We said: ‘Okay, if Austeel comes here, what sorts of skills we going to need? You’ve got the training money because it is cashed out into the Job Network. Let’s see if we can gear up for those sorts of things.’ We did very successfully do that with a call centre for 100 people. Three or four providers of the Job Network elected to work together and they recruited and trained people for the RTA call centre as a collective. We probably tried to make them like the old CES used to be. We used to be able to just go to the CES and say: ‘Look, we have a shortage of boilermakers. We need a few boilermakers trained.’ You cannot do that any more, so that is what we did here. It is regrettable that we do not have as much of a focus on Job Network now that we are DOTARS, but we are not precluded from doing it.

**Senator STEPHENS**—Does your ACC have a focus on placing or retraining the mature age work force and the mature age unemployed in the region? I am thinking of your ACC programs.

**Mrs Elliott**—Our ACC is more industry specific so we try to identify industries where there is potential for growth and employment, those industry sectors which can capitalise on the injection of Commonwealth funding so that we can make a difference. There are some industries, like the IT sector, for which we do not believe a small injection of regional assistance program funding of \$50,000 is going to make any difference. But there are other sectors, like agribusiness, where there is potential for growth, where the injection of Commonwealth money really does make a difference. So we look at it on an industry sector basis, but we do note that there is high unemployment within this region, not only among the youth but among the over-forties, and we get involved in restructuring issues.

We are involved with National Textiles and BHP and now with Pasminco in trying to assist mature workers who are outplaced to have a better future. We are doing that very much with the state government through what DET provide through the mature workers program, but they are limited as to their numbers so at the moment we are trying to get the numbers increased so we can cater for some of the workers coming out of Pasminco. I talked to the mature workers program provider, which is the Newcastle and Hunter business chamber, and they said they have more inquiries for mature workers than they have places, so there is a demand for mature workers in the region above and beyond what the mature workers program is offering. That is something that we need to support, although that is a state government program. Does the money come from the Commonwealth to start with?

**Senator STEPHENS**—I do not think so.

**Mrs Elliott**—I do not know about that.

**Senator STEPHENS**—It is interesting that you should actually target the mature workers program because the New South Wales model has actually been extended by state governments. In Queensland the mature workers program is quite effective. Sol Encel recently addressed the issue of older workers being displaced in a paper that he was commissioned to write by the Business Council of Australia and the ACTU. It highlights some critical issues for people being retrenched at 50 or 55 who will otherwise never work again and how they can actually be engaged when we are perhaps looking at an older work force.

**Mrs Elliott**—I heard the results of that in the media.

**Senator STEPHENS**—It is a very interesting paper in terms of trying to make us think not just of the youth end of the employment market but of people who have taken a redundancy package and now realise that they do not have enough money to live on.

**Mrs Elliott**—Was he mentioning the experience in Norway?

**Senator STEPHENS**—Yes.

**Mrs Elliott**—Those sorts of innovative models are things that we should really be looking to adopt because I think it is too cut and dried sometimes. Someone gets a package and they have to fend for themselves. I do not think we look at it in a holistic sort of way as to how we can ensure that everyone in the work force—young, middle aged and old—and those who are unemployed get the best, for the nation's sake, rather than letting people sink or swim and fend for themselves as individuals.

**Senator STEPHENS**—I have a quick final question. You will probably think this is a foolish question given that there is pouring rain outside. I wondered about the impact of drought on the broader region. We have information that around the country closures are imminent of industries that are really dependent on rain. With sheep, for example, abattoirs, wool-scouring plants, wool-topping plants and those kinds of industries are going to be closing very shortly simply because of the lack of stock. That has implications, through the ripple effect, for transport and retail.

**Ms Summers**—We are feeling that ripple effect in this region now. In the dry period, our organisation was very much focused on how we could get more drought relief workers and financial advisers into the areas. That was with the farmers themselves, and now we are working with the downstream companies in the region. There is state government support, and that program is now being looked at again by the Department of State and Regional Development. I am no expert on it, but I do not think they have released something else at this stage. I know they were going back to have a look at it all.

**Senator STEPHENS**—The issue is the longer-term impacts. You can have the regional transition fund of the state government assisting the industry, but when there are not enough sheep to keep an abattoir open and it closes down, it takes quite a long time to build up a flock to get that whole process going again.

**Mrs Elliott**—There are a lot of indirect issues as well, in terms of retail spending in communities and so on. In this area, Dungog has really suffered a lot. It was hit really badly by dairy deregulation: it had a dairy industry worth about \$19 million and I think it is now worth about \$10 million and it lost something like 45 out of 90 farmers. Then it was hit by the drought. I do not know what the population of Dungog is, but the town is probably about 4,000 and the surrounding area might be another 2,000 or 3,000. The local car dealer used to sell something like 55 Toyota Landcruisers every year, and in the last six months he might have sold two. It is those sorts of things. The impacts really are felt right through the community. I think the impacts of the drought are going to continue for quite a long time, and I would not be surprised if at the end of this year we are still seeing closures.

**Senator STEPHENS**—Is there a big seasonal work force in this region?

**Ms Summers**—The wine industry is quite seasonal. It is the main one. Mining varies but it is not really seasonal.

**Mrs Elliott**—We think olives will probably be seasonal too. They are starting to face issues about labour for harvesting and pruning. A big olive industry is emerging here now, off the back of the wine industry.

**Ms Summers**—The other big success story for this region has been the equine industry. If you go anywhere in the Upper Hunter, what used to be cattle land now has horses, and there are some very plush international concerns. I guess the money has been there, so they have been buffered against the conditions of the drought.

**Mrs Elliott**—They have big water allocations.

**Senator STEPHENS**—What are the training and employment arrangements in an industry like the equine industry?

**Ms Summers**—My experience is anecdotal but, for instance, it was recognised by the Hunter Institute in the region and there is a TAFE at Scone which is co-located with a racecourse. There are plans for a museum and they also had an equine research centre there. It was one of those cases where there was a ‘many splendoured’ vision, it was considerably bolstered by state and federal money and it tended to be a bit of a white elephant, if I can say that, for a while. Now the

TAFE seems to be getting on its feet a bit and is even offering equine courses online. But it probably did not have quite the accelerated start that everybody had hoped it would. At the studs, a lot of overseas people are working. You tend to get a lot of Irish and English trainers and they seem to be a world unto themselves. One challenge in the Upper Hunter is to try and integrate the communities of those studs, where there might be 300 or 400 people working, with the local communities.

**Senator STEPHENS**—Can you provide us with some information about the skills guarantee? You have mentioned it several times and you have mentioned it in your submission. Do you have some documentation about it that we could look at?

**Mrs Elliott**—I do. I could send that to the secretary if you would like.

**Senator STEPHENS**—Thank you.

**Ms Summers**—That was a very successful program which was initiated by the Area Consultative Committee. We work on attracting those companies in. When we were looking to attract the RTA, the skills guarantee was a big plus for them. When you are trying to attract investment, if you think that skills are an increasingly important part of the mix then that skills guarantee is a real benefit.

**CHAIR**—Mrs Elliott, I have consistently raised with the department this issue of skills matching.

**Mrs Elliott**—Which department?

**CHAIR**—The Department of Education, Science and Training.

**Mrs Elliott**—Sorry. I was thinking: ‘Which one: DEWR or DEST or DOTARS?’

**CHAIR**—Skills matching is a problem not only here but in a whole range of other areas. I have talked to a number of senior people from various TAFE colleges and asked them what they do in their local areas. It seems to be pretty much a hit and miss event. There is no real attempt to try to measure where the skill shortages are, what skills are needed and then to provide for that. There seems to be an expectation among a lot of them that the shortages will be in computing or IT—and that may well be the case—so they are providing courses for that anyway, but not too much on the other side. At the last Senate estimates the department said that the problem would be solved, that the new Job Network starts on 1 July and, with the new computer systems they will be putting in place, they will know where every job vacancy is in the country and where every unemployed job seeker is, so they will be able to match the jobs with the individuals. I only wish it were true. I am not so sure that it will work effectively in that manner. In your experience with Job Network, have they ever shown any capacity to do that or does it even enter the realm of their thinking to try to match the skills shortages with the jobs in the local areas?

**Mrs Elliott**—I think they used to rely on the ACC a lot, when we facilitated them, to give them some strategic feel for where the region was headed. They really did thirst for that information from us. They wanted Gillian to come along and tell them about new developments that were coming up, the sorts of things that might be coming online, so they could gear up and

be ready for them. So, yes, they were very thirsty for that information, but I think they found it frustrating because you cannot get accurate information that you can deliver on in the short term. They were not all like that, but I would have to say in this region probably half of the Job Network providers—and it tended to be the bigger ones, the ones that had Flex 1, 2 and 3—were really interested in that sort of thing. Because they had Flex 2 and 3 they had more resources and were funded better. I would have to say that I do not think they are funded adequately to be able to engage in anything much more than the day to day—that is, a person walks in and you do the minimum you possibly can to get them into a vacancy.

**Ms Summers**—Bottom feeding.

**Mrs Elliott**—I think many of them would like to do more but they are probably not resourced enough to do it.

**CHAIR**—What do you think those changes will mean for the long-term unemployed in this region? Will they worsen their situation?

**Mrs Elliott**—I am not really up on the new world for the Job Network, although I have picked up anecdotal stuff about the new training credits and those sorts of things that long-term unemployed people can have. I think they will be useful. I do not feel really that I have enough knowledge about the changes in the Job Network structure to comment, but I think that traditionally the Job Network have probably been criticised as a whole for not being able to deliver what the government said that they would. I do not know that it is actually the individual Job Network provider's fault in many cases. I think they have found it very difficult to do it and they have been hamstrung a bit by the system. The changes may well improve that.

**CHAIR**—Thank you both very much.

**Committee adjourned at 3.14 p.m.**