

Chapter 3

Skill Formation and the Labour Market

Introduction

3.1 This inquiry aims to determine whether the current skill formation policy framework is providing the type of skill mix necessary to secure a prosperous future for all Australians. There are two main issues discussed in this chapter. The first is whether the current policy is effectively promoting the development of both high level skills and intermediate skills. The second is the nexus between labour market and skill formation, with particular focus on New Apprenticeships program and the Job Network.

3.2 Over the last two decades, skill formation theory has been dominated by the idea that a ‘new economy’, or more recently ‘knowledge economy’, will be necessary to achieve national objectives of prosperity and economic competitiveness in the global trading environment of the 21st century. Ideas of the ‘new economy’ as formulated in the 1980s were based on the view that high technical skills in the workforce would increase capacity to manufacture value added products. Recent discussion of the ‘knowledge economy’ has focused on meeting the needs of innovation and emerging industries, bringing a new dimension to the understanding of skill acquisition.

3.3 At the same time, in most developed countries the knowledge economy has been associated with high employment growth in both high skill, high pay jobs and in low skill, low pay jobs, with much slower growth, or even a decline, in the number of jobs at the intermediate skill and income level. This phenomenon is referred to as a ‘hollowing out’ of the skills base or the development of the ‘hour glass workforce’ and is commonly associated with rising income disparities and other inequality, a significant public policy concern in many countries. In Australia this has manifested in the growth of a large casual and ‘contingent’ workforce, increasingly locked out of opportunities for skill formation, career progression and economic security.

3.4 While the committee strongly supports the need to develop the high skills industries and occupations that will enable Australia to remain competitive, it also believes that there is a need to ensure that the benefits of the new economy, and access to satisfying well paid jobs, are spread more broadly throughout the community than they are currently. This is likely to require greater attention to the complex interplay between the supply and demand for skills and between policies for industry development, the labour market, employment assistance and education. This chapter outlines some of the main aspects of labour market policy which affect the development of the skills base.

3.5 In this context, the committee observes that current skills formation policy in Australia has been criticised as focusing solely on measures to improve the responsiveness of the system for the supply of skills to current employer demand, with little attention on measures to stimulate demand despite the evidence, discussed in this chapter, that current labour market and economic frameworks are acting as a brake on demand in some industries. This could be characterised as a ‘hollow’ policy focus which actively targets *some* aspects of higher level skills formation, in emerging industries or IT related areas for example, but then simply allows the remainder of skills formation effort to be determined by employer demand. This policy stance is particularly evident in the promotion of the New Apprenticeships scheme, driven largely by Commonwealth incentives provided without apparent relation to the value of the skills being developed for the economy or individuals or the cost to the employer and individual.

3.6 The characteristics of this scheme are described later in the chapter. It suffices to say here that the evidence received suggests that many New Apprenticeships are being directed at filling job vacancies at the lower end of the skills spectrum, meaning the system may function mostly as a labour market program, rather than as a training program. While not denying that much employment growth and employer demand for training is at the lower end of the skills spectrum, the committee considers that the government should review carefully the return on this significant investment in terms of national skill formation, given other priorities.

Training policy trends and the ‘knowledge economy’

3.7 In the mid 1980s the Labor government aimed to revitalise Australian industry by implementing a ‘workplace reform led recovery’; a high skill future to be achieved through synchronised reform of labour market and skill formation.¹ Award restructuring complemented the new National Training Reform Agenda. The key elements of this were:

- the development of competency standards by industry and associated curriculum development to reflect competency outcomes;
- development of an Australian Standards Framework for vocational education and training credentials;
- establishment of a National Training Board (NTB);
- agreement on a National Framework for the Recognition of Training (NFROT);
- several reports on the training implications of industrial relations changes, young people’s participation in post-school education and training, and the need for curricula to take into account a number of general or core competencies; and

1 This section draws on NSW Board of Vocational Education and Training (BVET), Buchanan J *et al* report *Beyond Flexibility: Skills and Work in the Future*, October 2001, pp. 5-7.

- establishment of the Australian Vocational Certificate Training System (AVCTS) to merge traineeships and apprenticeships and provide pathways in the transition from school to work.

3.8 The aim of these arrangements was to achieve improved efficiency for industry and career opportunities for all workers. By the mid 1990s, under recession and with employer lobbying, several adjustments were made. There was a move towards a demand led skill formation model, with a new emphasis on establishing a national training market responsive to employer needs. Enterprise bargaining was introduced allowing workplace flexibility. This broke down industry wide agreements which had been the basis of training and career guarantees under the original scheme.² At the same time, and continuing now, corporatisation and privatisation of public utilities wound back training and employing of very large numbers of personnel. The outsourcing of the core business activities by new corporations has virtually brought an end to public utility training programs which benefited private industry through the mobility of skilled labour.

3.9 A later development was the establishment of a cooperative federal system for vocational education and training, with the establishment of the Australian National Training Authority (ANTA) to oversee the allocation of Commonwealth government resources to the publicly funded VET sector and administer national programs. From 1996, the National Training Framework (NTF) replaced the National Framework for the Recognition of Training (NFROT) and Australian Qualifications Framework. Two elements of the NTA are the National Training Packages and the new Australian Recognition Framework (ARF) which guides the states and territories in their regulation of the Vocational and Education Training (VET) system. ‘User Choice’ was introduced to enable competition with TAFE colleges from Registered Training Organisations (RTOs). This was strongly supported by business because it assumed increased employer control over training, although evidence to the committee has indicated that the role of User Choice is still a matter of contention.

3.10 User Choice operated in conjunction with the New Apprenticeship system, whereby the New Apprentice enters a contract with the employer who chooses an RTO to deliver training. This arrangement has opened up more opportunities for government supported training for both new, and following 1998, existing workers having expanded the range of occupations for which employees can attract an incentive or subsidy payment.³ While lauded as very successful in terms of the numbers of trainees processed, the committee noted extensive evidence of the failure of the system to deliver middle and higher order skills training, discussed later in this report.

2 BVET, *Beyond Flexibility: Skills and Work in the Future*, October 2001, pp. 1; 6–7

3 For a more detailed analysis of VET reforms see Chapter Four of the committee’s report (Senate Employment, Workplace Relations, Small Business and Education References Committee report) on the VET system, *Aspiring to Excellence, Report on the Quality of Vocational Education and Training in Australia*, November 2000

3.11 Australia's skill formation policies are now trained on building a 'knowledge economy', providing industry with sufficient highly skilled people to meet emerging needs, and also to raise skills in existing industries. As DEWR notes in its submission:

Skill development in Australia is vital to Australia's long-term economic and employment growth. Ongoing enhancement of Australia's skill base is essential to achieve further productivity gains and help Australian industry to compete effectively in a highly competitive world marketplace. In particular, Australia must develop high level skills to meet the needs of new technology industries where growth is expected to be strongest, as well as enhancing skills to encourage further growth in existing industries.⁴

3.12 Developing the capacity for innovation has implications for schooling, IT development and its take up by industry and the community, and for the stimulation of investment in emerging technology.⁵ In facilitating this policy ANTA has set innovation targets for the states and territories. DEST has also introduced innovation incentives for New Apprenticeships. These provide additional incentives to employers for taking on New Apprentices in the IT and innovation industries.⁶ Through such policies as 'Backing Australia's Ability' (2001) the Government has attempted to strengthen the critical relationship between research and development leading to the creation of more knowledge jobs.⁷

3.13 ANTA sees stimulus of the knowledge economy as a key objective, transforming learning and training. The ANTA's Phase 1 report review of training packages notes that there is a shift to knowledge work in diverse areas of the economy and that knowledge work, which is more context specific, puts new demands on the workplace and the individual to engage in the training process. It advocates a focus on generic or employability skills to support technical application in new and emerging industries, with implications for VET pedagogy. The report also notes that technical skills, being quickly dated, are less valued in the knowledge economy.⁸

3.14 When considered against evidence to the inquiry, which reports endemic skill shortages in middle skill training areas, the committee had reservations about ANTA's full focus on higher skills, if commitment to full skill development in technical areas

4 Submission 95, Department of Employment and Workplace Relations (DEWR), p. 27

5 *Media Release* 'Australia Makes an Excellent Progress as a Knowledge Based Economy and Society', 9 September 2003 MIN 457/03

6 See *Media Release* 'Strong Foundation for Australia's Future Skill Needs', 9 September 2003 MIN 457/03, and for Innovation targets see Australian National Training Authority (ANTA), *Vocational Education and Training, Directions and Resource Allocations for 2002*, ANTA Report to the Ministerial Council July 2002, p. 35

7 See *Backing Australia Ability: Real Results, Real Jobs*, The Commonwealth's Innovation Report 2002-03, and see www.dest.gov.au/research/res_sci_innov_policy.htm

8 ANTA, *High Level Review of Training Packages, Phase 1: An Analysis of the Current and Future Context in which Training Packages Will Need to Operate*, ANTA 2003, Executive Summary, *passim*, and p. 9

in existing industries is not also carried. At the same time, in consideration of the failures of current training policy, the committee also considers that policy focus must not use employer demand as the main or only determinant for investment of public funded training, as this will not result in the sustainable and diverse skills base needed to build investment in higher value skills.

A hollowing of skills or meeting job demand?

3.15 The committee notes evidence of a skills imbalance that results partly from a failure of training policy, and partly because of labour market trends and influences. A number of submissions refer to reports on the national skills profile which attempt to determine progress in skills development. One criteria used by the Australian Bureau of Statistics (ABS) to demonstrate progress towards the ‘knowledge society’ is the number of people of working age with university degrees, or in employment and holding degrees.⁹ In its submission the Department of Education and Workplace Relations (DEWR) reported that a shift to a higher skilled workforce over the last decade is indicated by the number of people with bachelor or higher degrees in employment.¹⁰ At the same time, however, DEWR highlighted two other significant features of the employment landscape:

- there has been little growth in employed persons with skilled vocational qualifications (primarily trades skills) or with an undergraduate or associate diploma; and
- the strong growth in employed persons with basic vocational qualifications reflects the growth in VET, especially growth in New Apprenticeships and the shift into a broader range of occupations.¹¹

3.16 At hearings in Darwin, NCVER told the committee that the combination of these features represents a ‘hollowing out’ of the skill profile. Referring to findings in his study *Pathways to Knowledge Work*, Mr Mark Cully explained how labour force polarisation meant no growth in middle skilled jobs, and a decline in employment in almost all trades: toolmakers, welders, panel beaters, carpenters, bricklayers, printers, painters over the period 1986 to 2001. Meanwhile job growth occurred at the higher skill and lower skill ends up by a total of 1.5 million with some 700,000 jobs at the low skilled end.¹² As a result, Australia had achieved only a very small real rise in the level of skill required for jobs overall, rating at only two per cent on the ‘cognitive

9 See *Media Release* ‘Australia Makes an Excellent Progress as a Knowledge Based Economy and Society’, 9 September 2003 MIN 457/03, and below

10 It reports that between May 1993 and May 2001, the number of employed persons with bachelor degrees rose 88.0 per cent from 613, 100 to 1,309, 800. Those with a higher degree or postgraduate diplomas rose by 62.9 per cent or 195,700 to 506,600. See submission 95, DEWR, p. 4

11 Submission 95, DEWR, p. 4

12 Cully M, *Pathways to Knowledge Work*, NCVER, ANTA 2003, p. 6; 19

skill measure'.¹³ NCVER provided tables showing how polarisation looks as a spread of occupation and skill level deviation. **Table 1** depicts occupational change. **Table 2** shows its correlation to ASCO major groups.¹⁴

Table 1: Change in the occupational composition of employment 1986–2001

	Share of employment 2001 Census (%)	Share of employment 1986 Census (%)	Change in share of employment (after rounding)	Change in employment (‘000s)
Managers	9.5	8.9	0.5	202.2
Professionals	18.7	15.5	3.2	534.1
Associate professionals	12.0	11.1	1.0	274.0
Tradespersons	12.5	16.2	-3.7	-13.3
Advanced services	4.2	5.2	-1.0	7.7
Intermediate service	16.7	13.8	2.9	480.4
Intermediate production	8.1	10.0	-1.9	26.1
Elementary service	9.5	8.9	0.6	208.1
Labourers	8.8	10.5	-1.6	52.3
Total	100.0	100.0	0.0	1,772.1

Source: Cully (2003, p. 19)

Table 2: ASCO major groups, skill level and typical education and experience

Major group	Skill level	Education and experience
Managers Professionals	I	Bachelor degree or higher, or at least five years relevant experience
Associate professionals	II	Diploma/advanced diploma, or at least 3 years relevant experience
Tradespersons Advanced clerical and sales	III	AQF* Certificate III or IV, or at least 3 years relevant experience
Intermediate service Intermediate production	IV	AQF Certificate II, or at least 1 year relevant experience
Elementary service Labourers	V	Compulsory schooling or AQF Certificate I

* Australian Qualifications Framework Source: ABS (1997) cited in Cully (2003, p. 13)

13 Mr Mark Cully, General Manager, National Centre for Vocational Education Research (NCVER), *Hansard*, Darwin, 10 June 1996, pp. 93–94

14 Tables as presented in submission 66, NCVER, p. 6

3.17 The ‘hollowing’ out the labour force is a widely reported phenomenon in countries undergoing a ‘knowledge’ revolution. A study in Britain, which has a similar policy framework for skill formation, found that over the period 1986 to 2001 there has been increased demand for higher qualifications by British employers and that the level of work skills applied in jobs has also increased. Underpinning these changes is a significant increase in the use of advanced technology (IT) in the workplace, with some 70 per cent of employees using some form of computerised equipment. However, the same study also revealed that there was significant underuse of employees acquired skills within the work place, and a mismatch between the large number of unskilled jobs available (6.5 million) and people without qualifications to fill them (2.9 million). The conclusions drawn by the British study were that competition and flatter structures have added pressure on employees to be more highly skilled but the largest growth trend has been in low skilled jobs.¹⁵

3.18 Australia’s similar experience is confirmed by the Productivity Commission’s report on the ‘Productivity Surge’ in the 1990s. It noted, for instance, that a high take-up rate of IT may have stimulated stronger productivity in the 1990s, relative to other countries in the period. Nevertheless, the report concluded that skill development could not be a major cause of the productivity surge, as Australia’s skill composition change (measured in terms of educational attainment) remained low compared with other major OECD countries.¹⁶ Other studies also suggested that the skills Australians have are not being productively utilised, as many are overqualified for the work they are doing, and further that opportunities to utilise higher level skills attained are not occurring.¹⁷

3.19 The final picture is not complementary to the present policy focus on high skill development, nor its effectiveness. Instead, these findings challenge some fundamental assumptions about high skill development as a means of achieving equitable growth. As VET expert Ms Kaye Schofield comments in her submission:

The emerging version of the knowledge economy does not advantage everyone equally. In fact, research tells us that increasingly the workforce will look like an hourglass rather than a pyramid, with part of the workforce employed in knowledge-intensive high-waged and relatively secure work and another part comprising people with lower skill levels, churning through a series of relatively low-paid and insecure jobs interspersed with periods of unemployment. This is not a version of the knowledge-economy that we should accept for Australia.¹⁸

15 See submission 27, Professor Clive Chappell and Mr Geof Hawke, OVAL Research, Faculty of Education, University of Technology Sydney, Attachment 1, p. 12

16 Barnes P and Kennard S, *Skill and Australia’s Productivity Surge*, Staff Research Paper, 2002, pp. xix; xvii–xviii.

17 A survey conducted in 1993 showed that forty per cent of those employed on a fulltime basis who had post-school qualifications were working in jobs that required no formal qualifications. Dusseldorp Skills Forum, Hall R *et al*, *You Value What you Pay For*, June 2000, p. 16

18 Submission 96, Ms Kaye Schofield, p. 2

3.20 The committee accepts that there is evidence enough that skills formation must be developed on a wide front. There are dangers in ‘picking winners’ and it is claimed that governments are not very good at making labour market predictions, despite the research capability that is at their disposal. There are important warnings about skill formation policy which places an inordinate focus on high skills at the expense of providing sufficient support for broad based cross-sectoral skill training. Views expressed to the committee caution that a large number of jobs will continue to be performed in traditional ways and many will operate in much the same way as they did in the past, meaning the shift to a knowledge economy could be more ambiguous than is sometimes suggested.¹⁹

3.21 The committee therefore has reservations about the current policy balance, given pressing skill shortages reported in the intermediate skill area. While the committee highly commends initiatives to foster the knowledge economy, and wholly supports the need to develop pathways for higher skill development in all areas (as discussed later in this chapter), it is concerned that the present focus does not place sufficient emphasis on enhancing skills to encourage further growth in existing industries.

Employment trends as a basis for VET planning and funding

3.22 Of particular interest is the relationship between occupational analysis, the prediction of training needs and the allocation or targeting of training funds. ANTA uses occupational analysis conducted by the Centre of Policy Studies at Monash University (which also provides assistance to DEWR and other clients) and also contracts forecasting studies of occupational change to determine future training needs.²⁰ Funding allocations are closely aligned with these projections, as noted in its report to MINCO:

The overall movement across industry across industry training can be an important indicator of the responsiveness of the VET system, and evidence of whether it is demand or supply driven. The dynamic nature of the Australian labour market, and the need to respond flexibly to emerging labour market needs, can be illustrated by difference in the projected rate of employment growth in different industries and occupations in the period ahead.²¹

19 Submission 96, Ms Kaye Schofield, p. 2, and see submission 27, Professor Clive Chappell and Mr Geof Hawke, OVAL Research, Faculty of Education, University of Technology Sydney, Attachment 1, discussion at pp. 7; 9

20 Submission 35, ANTA, p. 8, and supplementary submission 35A, reporting the findings of an Access Economics on future demand, *passim*. Analysis of funding issues is provided in Chapter Three

21 VET: *Directions and Resource Allocations for July 2002*, Report to the Ministerial Council, ANTA 2002

3.23 Accordingly, ANTA's Draft National Strategy for VET 2004–10 *Shaping Our Future* predicts a decline in requirements for middle skill training, in areas where high skill shortages are reported, and a corresponding shift away from funding for these. ANTA reports an intended \$3.5 billion budget to be spent on VET, with an equivalent amount by business and advises:

Manufacturing industries will face strong international competition and are expected to employ a smaller percentage of all workers. The number of jobs in construction, agriculture and mining is also expected to fall.

These factors are causing a sea change in skill requirements, as demand for the traditional skills required to work the land, to work manually and to extract resources is overshadowed by demands for skills to create, organise and apply knowledge - and to work with others to do so.²²

3.24 While analysis of employment growth is a standard approach to forecasting skill needs, some questions are raised given current deficiencies in forecasting methods. As discussed in the previous chapter on skills shortages, prediction of occupational change and of skills forecasting is complex and in need of adjustment to better reflect sectoral, specialist and regional needs. The committee sees one obvious deficiency in the outdated nature of the current occupational classification system that underpins labour market and occupational shortage information.

3.25 In the influential report *Training to Compete: the Training Needs of Industry*, for example, it was noted that one of the main effects of globalisation on the manufacturing sector was the blurring of the distinction between manufacturing and services, with 43 per cent of the sector shifting their focus to a greater service orientation while maintaining their manufacturing orientation.²³ As a DEWR source advised, the shift to services and contracting out aspects of a manufacturing business was not delineated in present occupational profiles, and hence tended to over-state the decline in the manufacturing sector.²⁴ DEWR is working on a revision of the ASCO codes, but at present it is possible for occupational growth to be poorly distinguished in some sectors because the categories no longer fit.²⁵

3.26 Moreover, forecasting of VET needs conducted by the Centre for Economics of Education and Training (CEET) for the Victorian Office of Technical Education and Training in March 2002, shows that another take on the data can yield a

22 ANTA, *Shaping Our Future*, Draft National Strategy for Vocational Education and Training 2004-2010, p. 4

23 *Training to Compete: the Training Needs of Industry*, Report to the Australian Industry Group by Allen Consulting was catalyst to the development National Industry Skills Initiative (NISI). See submission 74, Australian Industry Group (AiG) and Engineering Employers Association South Australia (EEASA), p. 19, and *Training to Compete*, p. iii

24 Background information provided to the committee

25 Mr Denis Hart, Team Leader, Occupational and Skills Analysis Section, Economic and Labour Market Analysis Branch, DEWR, *Hansard*, Canberra, 15 June 2003, p. 1328

significantly different view about where training policy should place its emphasis. **Table 3** provides data on job growth correlated with the qualifications required for the listed occupations.²⁶

Table 3: Net Job Openings by Major Occupation Groups and Qualification Victoria, 2001–06

Minimum numbers expected with qualifications*

Skill level (ASCO)	Occupation group	All net job openings ('000)	Higher Education ('000)	VET ('000)
1	Managers & Administrators	26.7	10.1	6.0
1	Professionals	79.3	59.6	7.7
2	Associate Professionals	37.8	11.8	10.3
3	Tradespersons & Related Workers	34.6	1.4	21.2
3	Advanced Clerical & Service Workers	8.3	1.7	1.6
4	Intermediate Clerical, Sales & Service Workers	75.1	10.8	17.7
4	Intermediate Production & Transport Workers	27.8	2.0	6.0
5	Elementary Clerical, Sales & Service Workers	63.3	5.9	7.2
5	Labourers & Related Workers	33.9	2.4	5.5
	TOTAL	386.9	105.7	83.3

*The minimum numbers expected with qualifications were estimated by applying the proportions employed in 2000 with qualifications to net job openings.

3.27 While the table refers to outcomes in Victoria, the findings apply more generally. The table shows that 38 per cent of job openings for new entrants with VET qualifications are likely to be for associate professionals or tradespersons and related workers. Of all job openings for new entrants at skill level 3 or below, less than those in the tradespersons and related workers occupations, only 18 per cent are likely to require VET qualifications. This is substantially less than the 61 per cent with VET qualifications for tradespersons and related workers.²⁷

3.28 Comparing these findings against DEWR's occupation growth based analysis, this table suggests that the employment areas which most require VET – tradespersons and related workers and associate professionals – are those which have not been

26 CEET, Shah C, Long M *et al*, *Demand For Training: Labour Force Changes, Projected Job Openings for New Entrants and Workplace Developments*, March 2002, Table 16, p. 47

27 *ibid.* pp. 46–47

targeted by ANTA in its policy and funding equations. By contrast, for those positions for which VET is least necessary, or requiring low skill qualifications, ANTA policy such as New Apprenticeships is stimulating demand, as DEWR notes.

3.29 The committee remains concerned that, in the longer term, the apparent weighting of training objectives and the funding allocations that support them on the basis of projected employment growth could reduce the diversity of the skill base and limit opportunities to build traditional strengths into new ones. In this regard, the committee refers back to recommendations made in Chapter 2 to improve on current forecasting methods so they better reflect industry and community needs.

Labour market change and skill shortages

3.30 The nexus between the labour market and the training system in meeting current and future skill needs is one of perennial complexity according to the NCVET.²⁸ This section examines some important points of connection between the labour market and the training system.

3.31 Discussion of the behaviour of the labour market invites supply versus demand explanations for the causes of skills shortages. Supply side arguments suggest that shortages can be caused by inflexibilities in the training system, and that market failure can be remedied by improved information systems and training and delivery mechanisms. Demand side arguments follow from consideration of the structural changes in the economy, which in recent times have seen reductions in average size of firms and the growth in part-time and casual employment. This approach assumes that the economy will adjust to change in the long term, with wages and prices reaching a market equilibrium.²⁹ It is also claimed that from a demand side perspective, such pressures reduce the capacity of employers to train employees in the skills required. Inevitably, the industry ‘downsizing’ mentality is rarely coincidental with a consciousness of the need to train new staff or retrain existing staff.

3.32 The committee recognises the problem of making training policy within these conceptual frameworks and in the midst of social change and structural economic change.³⁰ It noted the interplay of these approaches when, at hearings in Canberra the Department of Education, Science and Training (DEST) told the committee that addressing skills shortages is not just a training or supply issue, as had been acknowledged by the National Skills Initiative. DEST reported the vocational education and training sector’s significant achievement, with the number of students having nearly doubled over the decade to 1.7 million, or around 13 per cent of the workforce. On the incidence and causes of skills shortages the committee was told:

28 Dr Tom Karmel, Managing Director, NCVET, *Hansard*, Darwin, 10 June 2003, p. 990

29 See Toner P, *Supply-Side Demand Side Explanations of Declining Apprentice Training Rates: An Overview*, pp. 3–4

30 Submission 18, Business Council of Australia, *Overview of Transition Programs, Policies and Programs*, A Report for the Business Council of Australia, by the Allan Consulting Group, p. 1

Skill shortages can exist at most stages of the business cycle in skilled occupations and can be a sign of a thriving economy. For example, skill gaps arise in new industries and in sectors of more traditional industries that are changing rapidly to meet new consumer and technological demands. The cyclical nature of employment in some industries contributes to skill shortages because qualified workers leave the industry in periods of downturn and some do not return. At the same time training levels fall, leading to shortages when demand picks up later. The causes of skill shortages are complex. Education and training are part of the solution, but they cannot solve the problem by themselves. I think a number of witnesses to the inquiry have made the point that it is a very complex issue.³¹

3.33 The committee agrees that achieving the right balance between training and the labour market policy is difficult and commends the industry-targeted approach adopted under the National Industry Skills Initiative (NISI).³² The committee notes that when the NISI commenced in 1999, the causes of skill shortages in traditional trades areas were put down to difficulties in adjusting to increased global competitiveness, which posed challenges to industry to adapt its employment and training approaches to meet new labour management requirements.³³ One of the key drivers of skill shortages identified by NISI was the cyclic nature of business, notable in construction and building. At the same time it was acknowledged that cyclic factors appeared less significant in areas of persistent and long term skill shortages: automotive/vehicle trades, electrical and metal trades, with the last two experiencing entrenched shortages over the last twenty and five years respectively.³⁴

3.34 The NISI consultations arrived at a range of industry specific and more generic recommendations to address skill shortages. These included: closer industry collaboration on issues of interest; improving data collection methodologies; improved career information products; studies on employer engagement in New Apprenticeships; more flexible training delivery arrangements; and more industry government involvement on identifying skills needs and training related issues.³⁵ Stephen Saunders notes in his NCVER study that these initiatives are designed to negotiate the demands for more information under a mixed or semi-competitive VET funding model. The model provides for shared training costs between government, individuals and employers but, as Saunders observes, employers appear to carry more

31 Mr Colin Walters, Group Manager, Science Group, formerly Group Manager, Vocational Education and Training, DEST, *Hansard*, Canberra, 15 August 2003, p. 1199

32 The NISI was conducted as a partnership between industry and government, with each sector involved in a Working Group to develop Action Plans for implementation by an Industry led task force. See submission 57, DEST, pp. 35–34, and submission 95, DEWR, pp. 20–22

33 See NISI website: www.skillsinitiative.gov.au/about.htm, p. 1

34 Submission 100, Australian Industry Group, pp. 9–10

35 NISI website: www.skillsinitiative.gov.au/about.htm

significant costs in the case of apprentices.³⁶ In this respect, while upgrading information to stakeholders is undoubtedly important, the committee believes these measures are unlikely to overcome considerable cost and other disincentives to employers to take on apprentices.

Training to compete: barriers to participation

3.35 The committee heard much about the pressures that industry is facing under the competitive forces identified by NISI. Industry submissions and company owners at hearings told the committee about how their training levels had dropped, or how association members were reluctant to take on trainees, particularly traditional apprentices, in an environment which was increasingly project driven or contract based. They reported how their capacity to maintain or find appropriately trained trainees was limited by changes in the nature of their industries, small and large. Some had downsized because of competitive forces, others had outsourced aspects of their business or resorted to the use of part-time, casual or labour hire to meet employment needs. The ageing of the skilled workforce in many industries also contributed to fears that industries could not remain viable unless a strategic and integrated approach was taken to address their recruitment problems.

3.36 In their submission Associate Professor Clive Chappell and Mr Geoff Hawke of University of Technology Sydney surveyed the scale of labour market change in the metals and engineering, construction, finance, information technology, cleaning and family support services industries which these pressures produced. They drew on a New South Wales Board of Vocational Education and Training report which found:

- there is a significant hollowing out of the labour force with loss of blue collar positions, and expansion in professional and low skills service jobs;
- today 'standard' employment (i.e. permanent, full-time) accounts for only half of the employed workforce. There has been a significant increase in casual and contract work. Permanent part-time workers which now constitute 10 per cent of the employed workforce;
- workplace flexibility has largely been achieved through casualisation, outsourcing and labour hire, with the Australian workforce now having the most highly casualised workforce in the developed world;
- within standard work, there are problems of understaffing and work intensification are evident in all of the six industries; and
- in the six industries studied, nearly all net employment growth has been in part-time, casual, labour-hire and contract employment patterns. Although there is a different mix between industries.

36 NCVER, Stephen Saunders, *Using Training Indicators to Improve Planning for Vocational Education and Training*, NCVER 2001, pp. 13; 12

- traditional career pathways are breaking down in industries where they were once common (eg. banking and finance).³⁷

This context provided the basis for these summary conclusions:

- new models of work characterise the contemporary Australian labour market. Standard employment based on a full-time permanent employment is no longer the norm. Part-time, casual, contract and labour-hire employment patterns are now central elements in Australia's employment scene;
- these models of work are the product of changing forms of competition across all sectors of the economy, brought on by the policies of 'globalisation';
- the 'enterprise' as a 'key' category in understanding changes to work is no longer useful. Today new forms of business organisation that include networks of production, supply chains and outsourcing arrangements are in many ways the 'dynamios' of changes to work; and
- while there are general trends in changes to work, there are significant deviations from such trends in particular industries.³⁸

3.37 While globalisation and technology provides the setting for these changes, as noted by NISI, the highly competitive scenario, the committee was told, has been achieved by progressive deregulation of the labour market and by economic rationalism. It was maintained that the labour market of today is a very different one to that when the system was designed, and that the mix of enterprise based training and incentives is ill suited to the competitive deregulated conditions companies must operate within.³⁹ The prevailing view among a range of stakeholders was that there is a mismatch between what the system is offering and what the majority of employers need to address their skill requirements.

3.38 In this vein, Ms Kaye Schofield noted that while skills shortages are a normal part of the business cycle, significant and persistent skill shortages in the technical and trades areas show evidence of systemic weakness.⁴⁰ However, the shortages are not the fault of training system *per se*, as the supply system is now relatively flexible and responsive to patterns of demand. Instead, the failure is indicated by the low uptake of nationally recognised training by employers, with the ABS finding that only 24 per cent of employers did so in 2000-01.⁴¹ She concluded that the shortages are a clear

37 As identified in NSW Board of Vocational Education (BVET) case studies of work organisation, *Beyond Flexibility: Skills and Work in the Future*, and quoted in submission 27, Professor Clive Chappell and Mr Geof Hawke, Attachment 1, pp. 6-7

38 Submission 27, Professor Clive Chappel and Mr Geof Hawke, Attachment 1, pp. 6-7

39 See for example Mr Julius Roe, National President, Australian Manufacturing Workers Union (AMWU), *Hansard*, Sydney, 6 May 2003, pp. 813; 823

40 Ms Kaye Schofield (private capacity), *Hansard*, Sydney, 6 May 2003, p. 833

41 Submission 96, Ms Kaye Schofield, p. 7

consequence of the more competitive business environment and its products, in particular a reluctance to train due to poaching.⁴²

Structural change and the training challenge

3.39 There are implications for training and skills momentum in the industrial sector which has been subject to the pressures of competition and change. Two major developments since the mid 1990s affecting training and the availability of workplace skills can be identified:

- The first has been labour market deregulation, coinciding with fierce corporate competition. This has seen huge reductions in corporate workforces, a phenomenon also associated with the movement of investment into industries associated with and using high technology, and characterised by low employment. Technological efficiencies, and the pressure by corporation shareholders to maximise investment returns, has created a highly volatile labour market, especially at the middle and high order skill levels. The pressure to reduce staff has led to the expedient of labour hire and the contracting out of even core functions of business.
- The second major development has been the privatisation and corporatisation of large public utilities. Over most of the twentieth century, public utilities saw their training responsibilities as extending beyond the needs of the particular service they trained for. Since privatisation and corporatisation these cadres of apprentices and skilled workers are not available to industry at large.

3.40 It is generally acknowledged that the public sector and larger corporations have together undertaken the bulk of the workforce training, if only because the complexities of their operations demand it. Small and medium firms have done less training because they are less able to afford it, and because they often picked up trained people who are ex-corporate or public sector employees.

3.41 In these circumstances, interest in training is inclined to wane. The manufacturing sector has been particularly affected by these trends, given traditions of training by large firms and public utilities. As the recent Productivity Commission report *Trends in Manufacturing* (August 2003) confirmed:

The exceptional feature of the changing size distribution of manufacturing is the decline in the relative importance of big business, with no other industry division showing a large decline'.⁴³

42 Ms Kaye Schofield, *Hansard*, Sydney, 6 May 2003, p. 833

43 The report explained that over the last two decades, the role of small business in manufacturing has substantially increased in terms of both employment and enterprise shares: in manufacturing, small business and non-employed businesses have increased as a share of total enterprises. Relative employment growth has also been greatest in these categories, leading to a 6.1 percentage points increase in employment in small business. Conversely, large firms (those employing 100 or more employees) have declined in both relative employment and enterprise

3.42 Without the supply of well-trained young people and skilled specialists provided by public institutions, industries reported that there was no buffer for boom times or project-based developments, and no back up source for small businesses to draw on, as they had done traditionally. There are also fewer large companies overall and in the manufacturing, engineering and the health and community sectors and adjustment to the wind back in training by large public utilities, or their closure, has not yet occurred.

3.43 At hearings Australian Manufacturing Workers Union (AMWU), reported the effect of privatisation and corporatisation in the manufacturing sector. Statistics drawn on from New South Wales, Victoria and Queensland showed that the biggest trainers of skilled labour, not just trades but also at technicians at associate diploma or associate professional levels, were the public utilities such as the railways, electricity, and water authorities and the very large engineering manufactures such as ADI, Telstra and the large motor manufacturers. Not only have the public utilities been corporatised, but they have in most cases contracted out their technical and maintenance functions, with only corporate functions remaining. The AMWU advised that for a number of reasons contractors do not train; the primary reason being that they achieve contracts on the basis of a lower price.⁴⁴

3.44 The committee was told also of how lack of succession planning was jeopardising future capacity in the sciences and engineering to respond to emerging industry needs and to innovation in existing industries:

Over the last 10, 15, 20 years, we have seen privatisation of our utility providers. Even the defence forces are looking to outsource any non-combatant personnel, and they have outsourced much of their work. Many of the companies that have taken up those contracts from the government have initially, of course, sought to source people who were previously employed by the government. But, a few years into their contracts, they have started to realise there is no ready pool of people to fill the jobs any more. There seems to be a grappling by private industry as to how to cope with the training or getting of suitably qualified and trained engineers and scientists into their business, because they have not taken on the role where the government left off in training up engineers and scientists, in particular.⁴⁵

terms. For example, the employment share of large businesses fell by nearly 14 percentage points between 1983–84 and 2000–01 while, by contrast, growth in enterprise numbers in the rest of the economy has been similar for different firm size categories, resulting in little change in enterprises shares. See Productivity Commission, *Trends in Australian Manufacturing*, Commission Research Paper, August 2003, pp. 112–13

44 Mr Julian Roe, National President, AMWU, *Hansard*, Sydney, 6 May 2003, p. 817

45 Mr Jason Kuchel, Executive Director, Electronics Industry Association, *Hansard*, Adelaide, 12 June 2003, p. 1125

3.45 The committee believes that business is to an extent still free-riding on the training schemes that disappeared a decade or more ago, and that the next few years will see a serious skills shortage emerge as the post-war generation, beneficiaries of public service training, retires.

The training responsibilities of business

3.46 The extent to which business has embraced a training culture which matches its commitment to deregulation of the labour market is a matter of some contention. The committee was informed that the competitive environment faced by small and medium enterprises (SMEs), and indeed larger businesses, means that profit maximising firms will only train to the extent that short term needs are met; or otherwise risk the poaching of their skilled staff before they have retrieved the value of their investment.⁴⁶

3.47 The committee heard how the insidious effect of this cycle can destabilise regional economies. One submission reported that a large company in Adelaide was able to 'free ride' off the training efforts of SMEs. It ransacked their workforces by offering skilled staff 33 per cent more than the small companies, while holding down supplier prices so that the SMEs could not match wages.⁴⁷ In the absence of a long term view, Greater City of Dandenong representatives reported how the manufacturing industry, which is a major industry in the region, is being destabilised by a lack of succession planning.⁴⁸

3.48 On the other hand, ACCI has submitted evidence from the 2003 ABS release of data on employer training expenditure and practices that show employers are spending more time and money in providing training and skills development to their employees.⁴⁹ The committee acknowledges that ACCI quoted these figures by way of arguing against the idea of any resurrection of a training levy, but in quoting a figure of 81 per cent of all employers providing some training to their employees in the 12 months to June 2002 ACCI has been selective. The percentage quoted is an amalgam of private and public sector training for which the figures are 41 per cent and 84 per cent respectively. Employees in the private sector vastly outnumber those in the public sector, so if ACCI is arguing that industry's record is a good one, the committee does not agree.

3.49 There is clearly a mismatch between what the current system can support and what is needed to address skills shortages. From the employer's point of view there is an unrealistic expectation that SMEs will be willing to carry responsibilities to recruit,

46 NSW Board of Vocational Education and Training (BVET), Briggs C and Kitay J, *Vocational Education and Training, Skill Formation and the Labour Market*, October 2000, p. 10

47 Submission 96, Ms Kaye Schofield, p. 8

48 Mrs Sandra George, Network Coordinator, South East Business Network, Greater City of Dandenong, *Hansard*, Dandenong 15 April 2003, p. 476.

49 Submission 100, ACCI, p. 33

train and reskill employees on a scale necessary to meet future needs when present capacity to do so is reduced. As for employees, it has been remarked that under current conditions, they increasingly ask for broader occupational rather than specific enterprise based training so as to maximise mobility, which employers are increasingly inclined to deny.⁵⁰

3.50 The manifestations of this in the manufacturing and electrical industries, in particular, have been clear. Despite the manufacturing sectors' strategic significance, between 1987 and 2001 the total number of metal trades people employed nationally declined by 14 per cent. Over the same period, the number of metal apprentices in training fell by 36 per cent. The number of electrical and electronic tradespersons fell by just four per cent, but the number of apprentices in these trades fell by 20 per cent. Kaye Schofield argued in her submission that:

If the current situation continues in the manufacturing industry, it will have major implications for general industry growth and the sustainability of employment levels in key occupations and even alternative approaches such as skilled migration will be unable to supply the number of skilled people needed by the industry. The shortage of toolmakers for example has prompted South Australian businesses to import 35 skilled tradespeople from the UK but such a strategy is not sustainable.⁵¹

3.51 The Australian Industry Group (AiG) confirmed that industry is not keeping pace with replacement requirements given rates of expansion and wastage, with non-completions of apprentices for the period undesirably high at 20 to 30 per cent. Most worrying however, was the significant increase in non-trade manufacturing traineeships, specifically in the lower AQF levels:

What is of most concern is the significant increase in non-trade areas of manufacturing, specifically in the lower AQF levels. While there is obviously some need by industry for 'below trade' skills the current training package qualifications (based on industrial awards that necessarily lag behind the changing needs of industry) do not facilitate access to the higher-level qualifications. Often skills acquired in these lower level qualifications are not recognised for credit transfer or advanced standing in higher trade focussed programs.

In short there appears to be a disproportionate level of activity within the lower qualifications, when compared to skill shortage areas and the rhetoric of seamless pathways does not translate into the necessary movement into the higher value skill rich areas of shortage.⁵²

50 NSW BVET, *Vocational Education and Training, Skill Formation and the Labour Market*, October 2000 p. 10

51 Submission 96, Ms Kaye Schofield, p. 7

52 Submission 74, AiG and EESA, p. 11

3.52 The committee is strongly of the view that it is an inescapable duty of government to ensure that industry faces up to its training responsibilities. While it may have limited ability to influence labour markets in other ways, or do anything about work training arrangements which effect economic growth, it can ensure that there are incentives in place to influence the scope and quality of industry training. The evidence to the inquiry clearly indicates that skill shortages are in large measure the failure of industry to secure its own future, and the likely effects of this on the economy in the middle to long-term are frightening. This issue is explored in more detail in the Chapter Six on industry's role.

3.53 Despite the focus on flexibility, the committee is therefore concerned that the present approach to skill formation appears to be not well suited to the market conditions. Middle skill training, in particular, is the casualty as work force skill sets polarise. The evolution of a knowledge economy may in time provide opportunities for middle skilled careers but, at present, Australia ranks only 16 out of 21 countries in terms of knowledge industry developments. The connection between the skill profile of the labour force seems tenuously linked to productivity. Instead, the deregulated labour and trading market has achieved greater competitiveness in the short term: but at a cost. This cost may be the sustainability of the Australia's skills foundations, with deskilling and lack of succession planning endangering sound social and economic development in the future.

3.54 Within this scenario, the committee is concerned that 'free riding' has emerged as the defining feature of skill formation, and considers that current arrangements are not sufficient to counteract the significant disincentives to training that exist today. The committee has heard from a number of sectors that, in particular, the New Apprenticeship framework is skewing training towards lower qualification levels, providing a disincentive or not providing adequate assistance or structures to meet higher skill needs. The next section of this chapter will consider how policy levers such as the New Apprenticeships incentive structure and labour market mechanisms such as the Job Network can be embedded into a more strategically targeted but integrated system to foster skill development and meet present and future needs.

New Apprenticeships: refocus for the future

3.55 The committee is persuaded that the New Apprenticeships system needs adjustment to better fit the new context provided by a highly competitive market place, the more diverse but less certain career choices available for young people, and the need retrain existing workers. In particular there is a need to enhance the attractiveness of longer term VET training at intermediate and higher skill levels. This is the necessary foundation for the development of the fuller sphere of skills required to sustain the diverse range of industries, including niche industries, on which our future economic growth and social stability must be based.

3.56 The New Apprenticeship system is the principal mechanism set up government to encourage employers to engage with training within the architecture of

vocational education and training reform. Following the model of traditional apprenticeships, New Apprenticeships initially had an entry level focus, aiming to combine employment with structured training, under a contract of training or training agreement, leading to a nationally recognised qualification. The ‘new’ aspects of the system are the expansion of training into a broader range of industries and occupations beyond the traditional trades, and a ‘competency based’ approach to delivery and completion of training, in place of a requirement for ‘time served’. In 1998, the system also became accessible to existing workers, with the advantages of the training wage and incentives accruing to employers. In theory, and increasingly in practice, New Apprentices can complete their training and gain their qualification as soon as they are assessed as having achieved all the relevant competencies, as set out in training packages developed to reflect the contemporary skill needs of industry. Another characteristic of the New Apprenticeship arrangement is the capacity for training to be delivered on-the-job, off-the-job, or a combination of both. School-based New Apprenticeships allow students to start employment-related training while still at school.

3.57 Under the ANTA agreement, states and territories agree to fund the training component of all New Apprenticeships and have responsibility for audit of the contracts of training and quality assurance. Under ‘User Choice’ policy, they also agree in principle (with some exceptions in practice) to allow employers and new apprentices to select their training provider, with the state or territory government meeting the cost of the training under an agreed payment formula. Under the Commonwealth Government New Incentives Program, the Commonwealth offers employers a range of incentives to engage a New Apprentice and, increasingly to complete their training. Incentives vary depending on the level of the qualification. Additional incentives are also available to meet rural and regional, innovation and indigenous needs. School Based-New Apprenticeships have been introduced in recent years to provide a pathway for students to combine employment and training under a contract of training while still at school.⁵³ Some state and territory governments also provide additional incentives targeted to their priorities, and may extend some general concessions in the form of payroll concessions or reduced workers compensation contributions.

3.58 The most commonly cited statistics in relation to New Apprenticeships appear impressive at first glance:

- In 2001–02, the Commonwealth provided more than \$376 million in employer incentives and personal benefits, increasing to an estimated \$424 million in 2002–03.⁵⁴

53 Submission 57, DEST, p. 11

54 DEST, *Consultation Report, Review of New Apprenticeships Incentives Programme*, Part C. Background, p. 7, see: www.newapprenticeships.gov.au/niap/index.asp

- The number of people in training under New Apprenticeships has doubled since 1995.⁵⁵ In June 2003, for example, the Minister, the Hon. Brendan Nelson MP announced that 391 700 Australians were in training in New Apprenticeships, up 15 per cent since March 2002.⁵⁶
- Media statements report that the number of people undertaking New Apprenticeships in the traditional trades and related category had increased 2 per cent since March 2002.⁵⁷

Yet a significant number of submissions raised serious doubts about whether the public is receiving an appropriate return on this large and growing investment, in terms of the program's contribution to national skills formation and to enhancing the career prospects of individuals. The committee examined a range of data on the profile of training under New Apprenticeships to test the validity of these concerns.

New Apprenticeships in the traditional trades

3.59 A key issue, given the prevalence and persistence of skill shortages in the traditional trades, is the number and proportion of New Apprenticeships in the traditional trades. As noted, government announcements indicate that the number of New Apprenticeships in the traditional trades has increased and is now higher than in 1995.⁵⁸ The committee examined the cited source of this data, NCVER apprenticeship and trainee activity statistics.

3.60 The NCVER statistics for June 2003, indicate that 'traditional apprenticeships' have increased by 19 per cent since June 1998, from 103,500 to 123,200 but have declined as a proportion of the total number on training, from 54 per cent in 1998 to 31 per cent in 2003.⁵⁹ While this drop may be relative to stronger growth in other areas, BVET argued at hearings in Sydney, that these statistics indicate a substantial real drop in the number of traditional apprentices commencing.⁶⁰

55 Submission 57, DEST p. 9

56 *Media Release*, Dr Brendan Nelson, 'Employers Gain from Expanded New Apprenticeship Services', 15 April 2003 MIN 324/03; and *Media Release*, Dr Brendan Nelson, 'New Apprentices and Completion Rates Continue to Rise', 16 June 2003 MIN 377/03

57 *Media Release*, Dr Brendan Nelson, 'New Apprentices and Completion Rates Continue to Rise' 16 June 2003 MIN 377/03. Traditional apprenticeships are approximated by trades apprenticeships at AQF 3 or above with more than two years expected duration for full time contracts and more than eight years duration for part-time or school-based contracts, see NCVER Australian National Vocational Statistics, *At a Glance: Apprenticeship and Trainee Activity*, June Quarter 2003, p. 2; footnote 1

58 See *Media Releases*, Dr Brendan Nelson, 'Employers Gain from Expanded New Apprenticeship Services' 15 April 2003 MIN 324/03; and Dr Brendan Nelson, 'New Apprentices and Completion Rates Continue to Rise', 16 June 2003 MIN 377/03

59 NCVER, *At a Glance: Apprenticeship and Trainee Activity*, June Quarter 2003, p. 2

60 Mr Bert Evans, Chairman, BVET, *Hansard*, Sydney, 7 May 2003, p. 903

3.61 From one perspective, the declining proportion of New Apprenticeships in the traditional trades is may not be a concern: the *relative* demand for training in these areas has also declined in line with the general decline in employment in trades related industries and occupations. And it is not immediately apparent, given the overall growth in the program, that growth in New Apprenticeships in industries such as retail has been at the expense of the numbers of New Apprenticeships in the traditional trades.⁶¹ After all, the New Apprenticeship Incentive program is a demand-driven and uncapped program and so, in theory at least, training in one industry or occupation area need not be at the expense of training in other areas.

3.62 The relevant consideration, rather than the proportion of New Apprenticeships in the traditional trades, is whether the rate of training in the traditional trades is sufficient to meet the need. The usual measure for this purpose is the apprentice training rate; that is, the ratio of apprentices in training to employed tradespersons. Assuming that the ‘beginning’ apprentice training rates are sufficient to meet the replacement needs of an industry or occupation, any subsequent decline in the training rate is likely to result in a ‘skill shortage’ in the occupation, unless wastage and attrition rates decline to the same extent. In circumstances where there are significant skill shortages in industries, as now prevails and has for some time, the apprentice training rate will often need to increase in order to resolve the skill shortage and meet new training needs associated with employment growth and to replace retirements and attrition.

3.63 Dr Philip Toner provided the committee with his paper analysing apprentice training rates in a number of trades occupations since the 1970s. It indicates that while the training rate in some occupations, such as construction, has fluctuated around a relatively narrow band which possibly reflects the effect of economic cycles, the overall training rate has continued to decline in the metal and electrical trades, resulting in skill shortages in these occupations. Specifically, the apprentice training rate for the metal trades, with some minor variations, has consistently declined from a band of 18–20 in the 1970s, to a band of 11–20 in the 1980s, a band of 9–11 in the 1990s to 8.5 in 2000 and 8.2 in 2001. The apprentice training rate for the electrical trades has also trended downwards from a band of 11.7–13.8 in the 1970s, 10–14.1 in the 1980s, 8.9–12.8 in the 1990s to 9.2 in 2000 and 9.3 in 2001.⁶²

3.64 Toner notes that the decline in the training rates in these trades from the beginning of the 1990s has occurred over a period when there has been an attempt to introduce a market for training and remove ‘inflexibilities’ in the apprenticeship system. He takes this to suggest that simply introducing more flexibility into the

61 Although there are concerns, outlined in a later section of this chapter, that the growth in New Apprenticeships at Certificate 2 or below level in occupations classified as being for ‘traditional trades’ is occurring at the expense of training in traditional apprenticeships: that is, there is a substitution effect occurring.

62 Toner P, *Supply-Side and Demand-Side Explanations of Declining Apprentice Training Rates: An Overview*, pp. 6–7

training system to improve ‘supply’ will not increase the rate without remedying depressed demand, such as the effects of corporatisation and industry restructuring.⁶³

3.65 In this context the committee notes that while DEST data suggests that growth in traditional apprenticeship training is currently strong, Answers to Questions on Notice from DEST confirms limited or negative training growth in the mechanical and engineering sectors.⁶⁴

Prevalence of New Apprenticeships in low-skill areas

3.66 A number of submissions and some academic studies raised concerns about the disproportionate growth in New Apprenticeships in industry areas such as retail and hospitality, with high turnover at the lower levels where New Apprentices are concentrated. While it may be argued that these industries are experiencing high employment growth and have as great a need for training as any other, the bulk of occupations in these industries are at the lower skill levels, and rarely if ever appear in DEWR skill shortage lists. Mark Cully in the Pathways paper, noting the phenomenon of under-utilisation of existing skills referred to above, questioned whether the relatively high level of training at Certificate 3 and 4 levels in the ‘relatively low skill level’ occupations in retail and hospitality, represents a wastage of investment in skill development.⁶⁵

3.67 The proportion of training associated with part-time or full-time employment may also be an indicator of the level of skills formation given that part-time employment can often be considered of lower ‘quality’ than full-time employment. Recent research by Sadler (2001) has demonstrated that in 1999–2000 part-time apprenticeships and traineeships accounted for about 98 per cent of the increase in new employee commencements, and represented 29.5 per cent of all commencing apprentices and trainees (almost one in three). These part-time commencements were mainly trainees and in only a few industries. Eighty-six per cent of all part-time apprentices and trainees commencing in 2000 were in four industries: 30 per cent in Wholesale, Retail and Personal services (WRAPs); 22 per cent in tourism and hospitality; 21 per cent in business services and 13 per cent in transport and distribution.⁶⁶

63 *ibid.* pp. 11; 18

64 Answers to QON Notice from DEST disaggregated New Apprentices statistics to reveal growth in ‘all major trade occupations’ at ASCO 4, *excluding mechanical and fabrication and engineering*. In the last five years, DEST continued, NA growth had outstripped employment growth in all major trade groups *except mechanical and fabrication engineering* (down 5.6 per cent from 208,700 to 197 000) and *automotives* (down 6.5 per cent from 149 000 to 139 000).

65 Cully, *Pathways to Knowledge Work*, NCVER, p. 49

66 Victorian Learning and Employment Skills Commission, ‘Part Four: Training Needs Across Industry Sectors’, *Assessing Demand and Establishing Priorities for VET*, Research Program Reports [no date], p. 21

3.68 Given the trend to part time New Apprenticeships continues, with part-time New Apprenticeships, rising from 11 per cent in June 1998 to 32 per cent in June 2003,⁶⁷ large growth in low skill high turnover industry sectors may be a matter of concern. However, to the extent that one accepts that the investment in training should simply reflect shifts in employment and employer demand (as current policy appears to do to a large degree), the growth in New Apprenticeships in industries which have a high proportion of part-time employment and at the lower skill level, is not necessarily at issue. Many industries and occupations, from the road freight to the retail and hospitality industry, argue that they have a legitimate need for training and should have access to the full range of government support so that their industries are not trapped in a low skills path to the detriment of their employees and the economy overall.

3.69 Nevertheless, a number of submissions and witnesses argued that, given limited resources and competing priorities, public investment in New Apprenticeships should not be simply demand-driven but should be more closely targeted to high priority areas, that is areas where there are skill shortages and areas which are a greater priority for national skills development, such as in higher skill levels and in new and emerging, high skill industries. From this perspective, the rapid growth in training in low skill industries with no skill shortages, driven largely by New Apprenticeships incentives, alongside a stalled or declining training rate in high or intermediate skill occupations, some with serious skill shortages, represents a serious misallocation of public resources. Mr Bert Evans, chairman of BVET, put it this way:

The situation we have is that the Commonwealth incentives do not discriminate regarding the availability of employer incentives. They are equally available to manufacturing and automotive industries, which I have a lot to do with, where there are clearly skill shortages, and to industries where there are no shortages. I will give just one simple illustration of that. It concerns electricians, which we are nationally short of. The crude training rate for electricians in 2001 was 11 per cent but in the low skill occupation of process meat workers the figure was 23 per cent. You will see it is skewed to the bottom end of the scale. They are certainly driving demand but are not strategic in their allocation.⁶⁸

3.70 The Commonwealth might argue that its incentives program *is* targeted because incentive payments increase with skill level, given there are additional incentives for priority groups or areas. Yet the evidence to the inquiry discussed in following sections indicates that the AQF level alone is not a sufficient basis for differentiation of incentives, because the levels do not represent a reliable measure of the skill level or the required training investment by the employer or employee. A further factor is that the incentive structure does not appear to address the structural

67 NCVER Australian National Vocational Statistics, *At a Glance: Apprenticeship and Trainee Activity*, June Quarter 2003, Table 4, pp. 4–5

68 Mr Bert Evans, BVET, *Hansard*, Sydney, 7 May 2003, p. 903

barriers to training in some occupations and industries which should be a high priority for skill formation.

Disincentives to middle and higher skill development

3.71 The New Apprenticeships incentives system has been cited as an important and successful mechanism to encourage employers to train, yet it has not been effective enough to generate sufficient skilled people for employment in skill shortage areas. A key issue is that the high costs of taking on traditional trade apprentices in engineering, manufacturing and printing, for example is a considerable disincentive to businesses, both big and small.⁶⁹

3.72 A recent study by the Centre for Labour Market Research (CLMR) estimated that on average, the 'net cost'⁷⁰ of employing an apprentice over the four years amounted to approximately \$22,000.⁷¹ While many of these costs are incurred in the initial phase of the apprenticeship, when the apprentice requires more supervision and may not be very productive, the competitive pressures under which most businesses operate can often dissuade them from bearing this cost for the sake of a long-term benefit. In this way, as the report *Skills For the Future* noted, the tough business environment and global industry dynamics makes it a rational decision for business, in terms of the profit imperative, not to embrace training or high value product development.⁷² In these circumstances, the most rational economic decision for most individual employers is to 'free ride' on the training efforts of others, by recruiting, rather than training, skilled tradespeople. When all or a majority of employers take this route, the result is ever more competition for scarce skills and a serious impediment to the growth of industry and an equally serious loss of production.

3.73 Another related consequence of this was the shift to a low skill equilibrium, with employers choosing to limit training investment to that required for immediate productivity, resulting in a growing proportion of the labour force in semi-skilled or low skilled positions. The Cairns Regional Group Apprentices Limited elaborated on this phenomenon, contending that there has been an increase in lower-level traineeships under the New Apprenticeships program at the expense of traditional trades apprenticeships, leading to a dilution of the traditional trades skills base. Mr John Winsor claims that:

Trades which have historically produced qualifications comprising a wide skill base have been replaced by narrow, specific skills based traineeship

69 See submission 24, AMWU, p. 10.

70 Defined as the average of the known and estimated costs and benefits to the enterprise over the training contract term

71 Centre for Labour Market Research, *Training Apprentices is a Costly Business*, September 1997

72 Government of South Australia, *Skills South Australia, Skills for the Future: Final Report of the Ministerial Inquiry*, May 2003, p. 8

models. This, I believe is clearly evidenced in engineering trade callings where the trade of Engineering Tradesperson-Fabrication (formerly boilermaking) now has a traineeship model titled Engineering trainee. This is a narrow based, Certificate II, specific welding skills traineeship which is in many instances replacing the wide based trade calling...It is stated that Certificate II traineeships may progress to the higher level certificate III trade callings, but in my experience this rarely occurs.⁷³

3.74 The AiG, as noted above, and Engineering Employers Association of South Australia (EESA) submission raised similar concerns, noting that the 'significant increase' in training in 'below trade' or lower AQF levels in manufacturing and suggested that the 'disproportionate level of activity within the lower qualifications', is not addressing the need for 'higher value skill rich areas of shortage.' A reasonable conclusion is that the increase in lower-level traineeships is substituting for traditional apprenticeship training. As a solution, AiG and EEASA propose that lower level qualifications need to be able to articulate into or provide advanced standing for higher trade focused programs, so that they can provide a pathway to formation of well-rounded trade skills.⁷⁴

3.75 The Curtain Consulting submission raised concerns that the current policy framework for training is also favouring low skill acquisition at the expense of both middle and higher skills, in two significant ways. First, trade and technical training (and perhaps other intermediate level training as discussed below) has become devalued in the eyes of young people by its inclusion with more basic vocational training under the single banner of 'New Apprenticeships'. Second, Curtain argues that few New Apprenticeships in areas outside the traditional trades are providing an intermediate skill outcome or the solid foundation to enable further skills acquisition. He arrives at this conclusion by considering both the expected duration and AQF level of New Apprenticeships, on the premise that AQF level alone is a poor guide to skill level.⁷⁵ NCVER data indicates that only 41 per cent of New Apprenticeships at AQF 3 level, outside those defined as traditional apprenticeships, have expected durations of more than two years; only 8 per cent have expected durations of three or more years.⁷⁶

3.76 The Department of Education and Training, Western Australia (DETWA) provided further evidence of the different skill formation investment associated with the same AQF level in different occupations. The measure in this case is the standard number of hours of off-the-job or structured training required for most New Apprentices to meet the competency standards associated with grant of the AQF 3

73 Submission 90, Cairns Regional Group Apprentices Limited, p. 1

74 Submissions 74, AiG and EEASA, p. 11

75 The committee also notes, in this context, the DEWR's monitoring of skill shortages is restricted to skilled occupations which they define as occupations requiring at least three years training and experience or equivalent experience, implying that at least three years training is the yardstick for determining whether an occupation is skilled or not. See Submission 95.

76 Submission 101, Curtain Consulting, Table 4, p. 11

qualification. DETWA pointed out that a one year traineeship in Cleaning (requiring 191 hours of training delivery) and a four year Electrical Apprenticeship (requiring 845 hours of training delivery) both lead to grant of a Certificate 3 qualification.⁷⁷

3.77 Curtain also demonstrates that New Apprenticeships are making little contribution to higher skills development. Only 4 per cent of New Apprenticeships at AQF Level 3 and 4 with expected duration of two years or more are at the Associate Professional level or above.⁷⁸ On the premise that more investment in intermediate skills formation is desirable, Curtain suggests that New Apprenticeships should differentiate between a basic vocational or skilled vocational outcome.⁷⁹ However, other than AQF levels, there are no performance indicators which adequately differentiate training outcomes in the skill formation profile at present.⁸⁰ By comparison, OECD member countries have various measures for determining verifiable vocational pathways. Benchmarks for intermediate skills acquisition, for example, require that on and off-the-job training should be of sufficient depth to provide direct entry into an occupation, and mobility between employers; should provide a grounding for higher skill acquisition at technical or associate professional level; and should be of a minimum duration to allow for competency to be demonstrated at the required level of complexity.⁸¹ Curtain concludes that there is a need to conduct research to better understand what differentiates skill levels and to establish appropriate indicators to better target higher skill needs.⁸²

3.78 The evidence from both Curtain and the DETWA points to a significant difference in the duration of both on-the-job experience and off-the-job training associated with the same qualifications in different occupations, with the required amount of both work experience and off-the-job training associated with AQF 3 in the traditional trades being much higher than that associated with AQF levels in other occupations. Yet under the current Commonwealth New Apprenticeship Incentives program, the same incentive is paid for an AQF 3 qualification, irrespective of the average duration of the training contract or the required commitment for off-the-job training. In this circumstance it is easy to see why employers of traditional apprentices argue that the current incentive is inadequate, while in some other occupations, where the same incentive is paid for a much smaller investment of time and effort, the incentive is leading to a significant increase in New Apprenticeship training.

77 Submission 39, Department of Education, Western Australia, p. 18

78 Submission 101, Curtain Consulting, Table 5. p. 12

79 *ibid.* p. 13

80 Curtain refers to the Productivity Commission report on Government, *Productivity Commission Report on Government Services*, Steering Committee Publication, 2003. Chapter 4, p. 10; but see also pp. 33–34, and submission 101, p. 3

81 Submission 101, Curtain Consulting, pp. 5–7

82 *ibid.* pp. 13–14

3.79 The committee is concerned that the anomalies described above are leading to an unfortunate devaluation of some vocational pathways in the eyes of the community. The committee also believes that these anomalies mean that employer incentives which are based on AQF level alone will result in a distorted investment towards 'lower cost, lower skill' qualifications (albeit perhaps at AQF 3 level) and away from 'higher cost, higher skill' qualifications at the same AQF level. The committee considers that these anomalies indicate the need for an adjustment to the Commonwealth incentives at the AQF 3 level to better reflect the variation in skill level and cost to employer.

3.80 The committee also considers that appropriate measures need to be developed in reporting on performance at the associate professional, para-professional and intermediate skills, both for a better understanding of trends in skill formation and as a means of tracking progress against other OECD countries.⁸³

Recommendation 5

The committee recommends that ANTA in consultation with stakeholders, should consider developing a set of skill performance indicators in addition to the relevant AQF level to better distinguish between basic, intermediate and higher vocational training outcomes. These could be modelled on the OECD benchmarks and would provide an improved basis for targeting incentives under the New Apprenticeship scheme.

3.81 In relation to the progression of the national training agenda more generally, the committee is aware that in the November 2002 meeting of the ANTA Ministerial Council (MINCO) commitments were made to progress harmonisation of standards and incentives through the implementation of model clauses by 1 July 2004. The clauses aim to achieve national effect of registration and accreditation decisions, application of sanctions and legal enforceability of national standards. Additionally, they aim to remove legislative barriers to New Apprenticeship pathways and ensure legally enforceable training agreements. Progress was to be monitored by ANTA CEOs Committee and reported to the next ANTA Ministerial Council.⁸⁴

3.82 Given the desirability of building a national system, when responsibility for funding of vocational education remains the province of the states, the committee commends these developments, and recommends that the government should continue to work towards achieving harmonisation of standards and incentives through ANTA MINCO for the benefit of providers and their clients, employers and trainees.

83 The Productivity Commission's assessment of vocational education and training service delivery in its 2003 *Report on Government Services* does not provide data on the skills profile performance indicator, as 'it is yet to be developed or not collected for this Report'. See discussion submission 101, Curtain Consulting, p. 3

84 Submission 67, DEST, p. 18

Recommendation 6

The committee recognises that lack of national consistency in training standards and incentives makes the ideal of nationally portable qualifications difficult to achieve. The committee therefore recommends that the Commonwealth should work towards achieving nationally consistent standards and New Apprenticeship incentives through ANTA MINCO for the benefit of providers and their clients: employers and trainees.

3.83 However, the committee is concerned that ‘national consistency’ should benefit both employer and trainee and considers that certain safeguards should be in place to uphold the intention of the model clauses.

Flexibility and New Apprenticeships

3.84 ‘Flexibility’ is central to New Apprenticeship training and workplace arrangements, and yet remains a point of contention. Within training parlance ‘flexibility’ has become a kind of ‘buzz-word’ reflecting the demands of business for faster response to skills needs, as well, it must be said, for training short cuts. In its submission, DEWR noted that Workplace Agreements are a principal mechanism to provide enterprises with the flexibility needed for training under New Apprenticeships. Under trainee provisions in the agreements, employers can negotiate part-time and casual training arrangements not allowed under parent awards. Wages can also be varied to reflect the different combinations of training and work and to include competency based progression criteria. DEWR advised that fifty three per cent of certified agreements provide for entry level training provisions under New Apprenticeships.⁸⁵

3.85 The committee was advised that given Commonwealth legislation has the capacity to override some state protections for trainees, there are concerns that legislative arrangements may give the employer an unreasonable degree of power over the New Apprentice. In particular, the AMWU raised concerns that state-based protections on complaints and right to appeal, along with prohibitions relating to casual and part-time employment for traineeships, are being eroded under Australian Workplace Agreements (AWAs).⁸⁶ The submission recommended that protections provided to traditional apprentices under the Workplace Relations Act (WRAct), through exemptions allowed under Subsection 170VR(2), should be extended to cover traineeships.⁸⁷ At hearings, the ACTU also commented on the lack of a legislative framework under which cases of abuse of New Apprenticeship training can be pursued, with the Crimes Act being an unlikely avenue for young people in most instances.⁸⁸ ACTU also considered that reform is required to both Federal and state

85 Submission 95, DEWR, p. 19 and see Attachment E

86 Supplementary 24A, AMWU, *passim*

87 *ibid.* p. 4

88 Ms Sharan Burrow, *Hansard*, Melbourne, 16 April 2003, p. 605

industrial and workplace relations laws to remove exemptions for trainees and apprentices from unfair dismissal laws, and to limit the use of casual and contract work to genuine short term and cyclical demands.⁸⁹

3.86 The point is whether the focus on flexibility may undermine workplace conditions, which will in turn fuel skills attrition in trades based areas. Government incentives and the opportunity to pay a 'training wage' potentially provides unscrupulous employers with an incentive to engage trainees even if they cannot or do not intend to provide the supervision or relevant work experience; the capacity to provide on-the-job training and poor practice by some RTOs makes an opportunity for employers to obtain the benefits of employing a trainee without incurring any of the costs and commitments.⁹⁰ While the Commonwealth might argue that these examples are due to poor audit practice by state agencies, the committee believes the lack of targeting of incentives and the availability of fully on-the-job training may lead to poor training outcomes. In this context, at hearings in Melbourne, the ACTU tabled a number of case studies of New Apprenticeships being used to churn trainees through low skill contracts, and to downgrade pay and conditions for existing workers.⁹¹

3.87 At hearings, DEWR was asked to respond to concerns raised about the WR Act and consider whether protections awarded to apprentices should be extended to trainees. DEWR confirmed that exemptions to the WR Act allow state law to prevail in the case of apprenticeship arrangements, and that it is possible for further exemptions to be prescribed by regulation (170VR2)(d) and 170LZ (2) (d). However, DEWR reminded that the primary focus of the WR Act is to encourage employers and employees to determine wages and conditions of employment as far as possible at enterprise level. Any limitation of this potential would have to be tested against this objective, and any amendment to the Act would thus be a policy decision for government.⁹²

3.88 The committee considers that a policy change is needed: the unequal treatment of trainees as against traditional apprentices under Commonwealth law means that the rhetoric of equal opportunity under New Apprenticeships pathways is more than misleading. Trainees have less protection under the law in the workplace and less certain avenues of complaint against inadequate training or employment conditions. Existing workers may also be more vulnerable, given they may be forced to take on a traineeships to keep employment so that the employer can pay them a reduced training wage and receive incentives. The potential for 'churning' is also heightened where there is no recourse to unfair dismissal laws. This undermines the promise of fair training and employment opportunities for the young and old under

89 Submission 23, ACTU, p. 9

90 Submission 3, Shop Distributive and Allied Employees' Association, pp. 18–19

91 ACTU Case Scenarios tabled Melbourne, 16 April 2003

92 Additional Questions from the Committee, Canberra, 15 August 2003, Question 1

New Apprenticeships. The committee considers that present inconsistency of treatment of trainees under Commonwealth law must be addressed.

Recommendation 7

The committee recommends that the Workplace Relations Act should be amended, or a regulation made, to ensure that Subsection 170VR (2) applies equally to all New Apprenticeships; that is both apprentices and trainees.

Recommendation 8

To prevent abuse of New Apprenticeships, the committee considers that provisions for a training wage should not apply to existing workers.

3.89 Another concern was the potential for flexibility to drive deskilling. In this regard the committee has some concerns about proposals to modularise or breakdown traditional apprenticeships into lower qualification components. Some industry representatives argued strongly that more flexible arrangements, in terms of length and level of traineeships, are essential if skill shortage affected sectors are to provide training that offsets the cost of employment and focuses on employers skill needs. For instance, the Housing Industry Association proposed that traditional four year apprenticeships should be broken into discrete shorter phases of training, at AQF 2 qualification. This would allow for the specialisation needed to reflect industry change and would be particularly beneficial to regional businesses.⁹³ However, according to the HIA, this development has been ‘thwarted by the union movement and small self interest craft based organisations who will not tolerate training for thousands of workers who operate in specialised fields of work.’⁹⁴ The HIA also notes that traditional demarcation between work of apprentices and pre-apprentices stands in the way of people gaining some skills needed to be immediately productive when they commence an apprenticeship, with unions in opposition to these ‘trade skills’ being developed outside of the contract of training.⁹⁵

3.90 Educators expressed different views about modularisation of training pathways. Victorian TAFE Association Chief Executive Officers Council observed that while traineeships are designed to be flexible for SMEs, employers arguments for increased flexibility in traineeships was most often about achieving fully on-the-job training. The Council advised that TAFE would have to reject proposals to break down training for fully on the job delivery if it considered that the quality of training would be compromised. This earned the provider a reputation for inflexibility among some employers. To address concerns, the Council recommended that research on

93 Submission 5, Housing Industry Association, pp. 6–7

94 *ibid.* p. 6

95 *ibid.* p. 8

how job training models can work to balance quality standards of TAFE while also meeting productivity expectations of employers was needed.⁹⁶

3.91 Chisholm Institute of TAFE, which has a profile in meeting training requirements of the emergent photonics industry, reported that there are no systemic problems with flexibility in the Institute, as TAFE now focuses on specialist skills in short modules to meet needs of industry.⁹⁷ Chisholm nevertheless warned that excessive modularisation of training in the interests of multi-skilling could put the trainee in the position of ending up a 'jack of all trades' and 'master of none'. In this context the committee was advised that it is important that a qualification has a specialist core stream with integrated elements of other technology areas of associated with it.⁹⁸

3.92 The AMWU provided a useful context for evaluation of these viewpoints by observing that the potential for deskilling exists, and has always existed, and that the key is to ensure that the core competencies that make up the qualifications are adequately and coherently communicated. It was considered in this light that flexibility to meet new skill needs, outside of old industry job demarcations, is something that industry needs, with the proviso that skills acquired are transferable. To achieve this end, the system itself has to focus on building career and skill pathways in a training market that supports that development.⁹⁹

3.93 The committee recognises that the debate over the potential for modularisation of traditional apprenticeship training and its delivery raises some contentious issues which are not easily resolvable, given the competing need to achieve flexibility while consolidating genuine training opportunities for trainee. On a practical level, there is a need to fast track training in the trades to meet skill needs, and that shorter modularised training may provide the necessary fillip needed to encourage employers to take on more entry level trainees to consolidate the skills base and provide more opportunities to young people to start on the ladder in trades training. At the same time, the committee fears that the endorsement of this approach may encourage an even more short term view of training on the part of some employers, with an absence of commitment to further training to develop a broader skill base.

3.94 One result could be an even greater erosion in the skills base in particular industries, and a vicious cycle whereby there are not enough experienced trades

96 Mr Robert Smillie, Council Member and Representative, Victorian TAFE Association Chief Executive Officers Council, *Hansard*, Melbourne, 16 April 2003, p. 574

97 Ms Virginia Simmons, Director and Chief Executive Officer, and Mr Patrick Jones, Director, School of Manufacturing and Engineering, Chisholm Institute of TAFE, *Hansard*, Dandenong 15 April 2003, pp. 504–05

98 Mr Patrick Jones, Director, School of Manufacturing and Engineering, Chisholm TAFE, *Hansard*, Dandenong 15 April 2003, p. 505–06

99 Mr Julian Roe, National President, AMWU, *Hansard*, Sydney, 6 May 2003 pp. 818–20

people to train and supervise new entrants. For trainees the consequence may be that opportunities to gain full qualification and transportable training will be more limited; for industry and the community this could mean less safe workplaces, buildings and public infrastructure.

3.95 The committee therefore considers that an alternative approach would be to build the capacity of apprentices to achieve qualifications in a shorter time frame. In particular, it appears that despite the fact that competency-based training is based on the idea that qualifications can be achieved according to trainee and employer capacity, most jurisdictions retain time-based requirements governing New Apprenticeships, whether for the traditional trades or other forms of training.¹⁰⁰ This restricts the use of New Apprenticeships for meeting skill shortages or sudden surges in demand for skill, through the use of accelerated training approaches. It may also act as a barrier to the engagement of adult apprentices or cross-skilling or upskilling of those with a strong base of existing skills on which to build.

3.96 The committee understands that many, if not most, state jurisdictions retain a fixed four year indenture for traditional apprenticeships, although there is some scope for early completion. While the committee notes and agrees with evidence indicating that most traditional trades will continue to require significant periods of training of up to three to four years to achieve the necessary level of mastery,¹⁰¹ it also considers that the contractual arrangements need to be reviewed to reflect the increasingly diverse pathways for acquisition of trade skills.

Recommendation 9

The committee recommends that states and territories should review time-based requirements governing apprenticeships and provision be made for true competency based training to be achieved by completion of the full apprenticeship in an unspecified timeframe.

3.97 While young school-leavers are likely to remain the majority of applicants for traditional trades apprenticeships, an increasing number of these, and older applicants, many have existing vocational qualifications obtained through VET in schools programs or in related trades and other occupations. The apprenticeship system should provide simpler processes for early completion of qualifications for those applicants who start with a sound base of relevant vocational skills, or who are extremely proficient, as well as those undertaking accelerated training in order to meet surges in demand, such as for major resource projects. The committee considers that where related core competencies have been achieved, these should be accredited through a process of Recognition of Prior Learning to allow additional units to be taken to achieve the apprenticeship in a shorter time frame.

100 See for example, Submission 51, Chamber of Commerce and Industry of Western Australia (Inc.), p. 2

101 Submission 101, Curtain Consulting *passim*

Recommendation 10

The committee recommends that, where core competencies have been achieved, these should be accredited through a process of Recognition of Prior Learning to allow additional or supplementary units to be taken to achieve the apprenticeship in a shorter time frame.

3.98 Finally, the committee considers that if quality of accomplishment is to be sustained under the increased flexibility offered by competency-based training, then some protections and supports must be put in place to achieve genuine career pathways for entry level trainees, and to build confidence among all stakeholders in the skill development process.

Training plans for monitoring and mentoring

3.99 One approach would be to build a stronger sense of obligation and commitment between the employers and trainees. This would have the double effect of inspiring confidence on the part of the employer while enhancing the status of training in the eyes of the trainee. A mechanism for this might be to require that training plans be achieved through negotiation between employers and trainees at the commencement of training, and for a monitoring and mentorship program to be carried out as part of plan's implementation within the workplace.

3.100 In its report on the quality of vocational education and training in Australia, *Aspiring to Excellence* (2000) the committee recommended that the Commonwealth and ANTA should work to ensure that training plans are used more strategically, are nationally consistent and effectively monitored. The recommendation had evolved out of inquiry findings that training plans, which are supposed to be an integral part of Training Agreements and are signed at commencement of a New Apprenticeship, were being implemented in an *ad hoc* fashion, with commitments varying between states, RTOs and employers, and incentives paid irrespective of whether training was delivered.¹⁰² However, in its response to the report the Government that advised that, while it supported developments for a nationally consistent approach, requirements for training plans were otherwise considered adequate.¹⁰³

3.101 Submissions to this inquiry contested this view, arguing that properly negotiated and monitored training plans have potential to address a range of very considerable failures in the New Apprenticeship system, including the containment of high non-completion rates and employer abuse of the system. There was also very significant potential to overcome educator suspicion about training outcomes under

102 Senate Employment, Workplace Relations, Small Business and Education References Committee, *Aspiring to Excellence, Report into the Quality of Vocational Education and Training in Australia*, November 2000, pp. 194–98

103 Government Response to the Report of the Senate Employment, Workplace Relations Small Business and Education References Committee '*Aspiring to Excellence: Report into the Quality of Vocational Education and Training in Australia*', May 2001, Recommendation 9, pp. 11-13

New Apprenticeships system, if educators could be brought into the auditing and mentoring process accompanying plan commitments.

3.102 In this regard, the TAFE Teachers Association of the NSW Teachers Federation reported that they are at present engaged in a statewide consultative process to discuss what resources trade teachers would need to play the role of go-between, to negotiate the training plan and ensure employers understand their training commitments. TAFE saw benefit in resources being provided to: develop training plans with the input of both the employer and apprentice; ensure the training plan is adhered to both on and off the job; to develop and maintain student profiles; to assess on-the-job training; to provide gap training ensuring the teaching of underpinning and transferable skills and knowledge; and provide capstone testing.¹⁰⁴

3.103 The committee considers that TAFE's capacity to develop student profiles or passports could be a beneficial means of embedding the training plan into a longer term skill development pathway in both traditional and non-traditional traineeships.¹⁰⁵

Given that the TAFE sector currently carries the bulk of training responsibility for training in the traditional trades and in manufacturing, the committee is sympathetic to the view that funding should be allocated to TAFE providers for this purpose from Federal sources.¹⁰⁶ Where potential for conflict of interest exists, the committee also considers that when TAFE is not the provider an RTO, where it is not also an employer, unions or industry bodies could receive this incentive and take on the monitoring and mentoring role.

Recommendation 11

The committee reiterates its view, expressed in its report on quality in vocational education and training, *Aspiring to Excellence* (2000) that individual training plans require a higher level of commitment on the part of all stakeholders, and recommends that ANTA MINCO should review its position on the usefulness of these training plans for monitoring, auditing and evaluating outcomes.

Recommendation 12

The committee further recommends that at the next meeting with MINCO, ANTA should give consideration to requiring nationally consistent

104 Pilots had been conducted which found that the process had facilitated good employer relations with the provider. Employers who had TAFE assistance with the plan had followed up by providing logbooks and records of on the job training to the teaching section. This contrasted with those with no TAFE involvement, who did not provide the requisite paper work, which meant work for TAFE in chasing this up. Submission 73, TAFE Teachers Association of the NSW Teachers Federation pp. 2–3

105 Skill profiles and passports are discussed further in Chapter 5

106 Submissions 23, ACTU, p. 40; 24, AMWU p. 9; 73, TAFE Teachers Association of the NSW Teachers Federation, p. 2

implementation of individual training plans, and support provision of additional Commonwealth funding for targeted incentives directed to TAFE to:

- **develop individual training plans with the input of both the employer and apprentice;**
- **develop and maintain student profiles linked to individual training plans, and**
- **implement quality assessment and mentoring procedures for employers.**

The committee considers that if TAFE is not involved, any additional incentive could be allocated to another negotiator such as a Registered Training Organisation (where it is not also the employer), a union or industry body to help employers negotiate individual training plans with the New Apprentice and carry out the necessary support and auditing roles.

3.104 To uphold the intent of the implementation of training plans it was suggested that New Apprenticeship incentives should not be provided until the training plan has been negotiated and agreed to by both parties, and agreed training delivered.¹⁰⁷ The committee examines this issue, and potential for other adjustments to New Apprenticeships incentives next.

Targeting incentives to build skills and stimulate demand

3.105 One of the fundamental questions for the inquiry is whether adjustments to New Apprenticeship incentives can be made for improved support for middle and higher skill development given its apparent failure so far. The committee heard much about the relative capacity of the system to build skills development in a range of industry sectors, but the hollowing out of skill development at key trades and para-professional levels emerged as a focal concern.

3.106 Studies of New Apprenticeships give an uneven picture of their take up by industry. Recent analysis of industry sectors by the Newcastle Employment Studies Centre showed that while 90 per cent of employers in the sample were aware of the availability of financial incentives available, only 54 per cent actually use them. Of interest to the committee were findings that workplaces in retail and in metals and engineering are among the highest percentage of workplaces that use financial incentives to train their employees.¹⁰⁸

3.107 In the light of this, the committee compared the substantially different employment outcomes and training profiles of these sectors. Trade apprenticeships (at ASCO 4) exhibited the highest retention rates (with three quarters completing), have

107 Mr Ian Blandthorn, National Assistant Secretary, Shop Distributive and Allied Employees Association, *Hansard*, Sydney, 7 May 2003, p. 903; Ms Sharan Burrow, President, ACTU, *Hansard*, Melbourne, 16 April 2003, p. 601.

108 Submission 41, Newcastle Employment Studies Centre, p. 10.

the highest employment outcomes and training is in decline.¹⁰⁹ Meanwhile intermediate clerical, sales and services (ASCO 6) have the second highest attrition rate (58 per cent), and exhibit highest growth rates in low skill part-time New Apprenticeships.¹¹⁰ Another disturbing contrast is that where trade apprenticeships are filled by young people at entry level leading to AQF level 3 and 4 qualifications, the largest increase in employment growth under New Apprenticeships has been predominately in low skill traineeships among older workers, with close to a third of all New Apprenticeships being 25 years and older.¹¹¹ Alarming, studies show that this group of New Apprentices exhibits the least positive training outcomes from their traineeships.¹¹² These trends led VET expert Dr Philip Toner to the conclusion that the occupational structure of trainee intake is significantly different from the occupational structure of total employment (excluding Trades and Related occupations) in Australia. The share of these low skill occupations in the total workforce is half that of the trainee intake.¹¹³

3.108 Given these factors, the committee considers that the New Apprenticeship system is doing a disservice to young people, in failing to create opportunities for middle skill training, and therefore to provide the foundations for higher skill development. With highest training growth occurring at in the lowest skill levels, and no growth in middle skill development, questions must also arise about whether current arrangements provide value for money if the objective of New Apprenticeships is to consolidate the nation's skill base. At worst it could appear that the dollars needed to sustain Australia's economic and social prosperity are being misspent as a wage subsidy or means of reducing unemployment statistics.

3.109 The committee appreciates that the government is aware of some of these concerns. Its recent review of Commonwealth incentives reconfigured payments of New Apprenticeships incentives from 3 July 2003 with the result that graded payments for AQF levels 3 and 4 would be available. Additional payments were also to be made for disadvantaged workers and the welfare dependent, and Living Away from Home allowances extended. In response to concerns about high non completion rates, the payments have also been redistributed to include 20 per cent of payment on commencement and 80 per cent on completion.¹¹⁴

109 Submission 23, ACTU, p. 35; Mr Alan Montague, Manager, Apprenticeships and Traineeships, RMIT University, *Hansard*, Melbourne, 16 April 2003, p. 560

110 NCVER Answers to Questions on Notice, rec'd 17 October 2003

111 Toner P, 'The Occupational and Skill Structure of New Apprenticeships: a Commentary', *Labour and Industry*, 1 August 2002, vol. 13, no. 1, p. 65

112 See Executive Summary, NCVER, Cully M and Curtain R, *Reasons for New Apprentice's Non-Completions*, 2001.

113 Toner, 'The Occupational and Skill Structure of New Apprenticeships: a Commentary', *Labour and Industry*, p. 65

114 *Media Release*, Dr Brendan Nelson, 'Cutting Red Tape – New Apprenticeships Business Incentives Simplified', 26 September, 2002 MIN 184/02

3.110 While the committee commends these developments it considers that current allocation of incentives under the New Apprenticeships system fails to provide adequately for middle and higher skill development, with 75 per cent of the New Apprentice expenditure of \$476 million dollars going to support training in high turn over low skill careers. As NCVER told the committee, this happens without any assessment of the value of training outcomes in those sectors which currently absorb most of the training dollar.¹¹⁵

3.111 Further the committee is concerned to hear reports that back up payments for completion will provide a further disincentive to employers to take on apprentices for the full training term, fuelling the poaching of apprentices in skill shortage areas.¹¹⁶ Given, this committee finds it remarkable that the Government decided against redistributing completion payments for low skilled training, which is usually of short duration, apparently because it might be a disincentive to employers.¹¹⁷

3.112 Like the Government, the committee is anxious to see maximum opportunities for employment, but the committee does not agree with ANTA that targeting incentives for high skill development would not necessarily achieve better results.¹¹⁸ Given the problematic nature of identifying skill shortages as they evolve, the committee would suggest that, as a first measure, incentives for trade level qualifications should allow for a weighting of New Apprenticeship incentive payment at commencement to compensate for the expenses of appointment. This payment should be contingent on compliance with a negotiated training plan, attached to the New Apprenticeship Training Agreement, and subject to a monitoring and mentoring process which is part of that plan.

Recommendation 13

The committee recommends that incentives for trade level qualifications and higher level traineeships, should provide for the bulk of the New Apprenticeship incentive payment to be awarded to the employer at commencement. The payment should be contingent on compliance with a negotiated individual training plan, attached to the New Apprenticeship Training Agreement.

115 Dr Tom Karmel, Managing Director, NCVER, 10 June 2003, p. 996

116 Mrs Leyla Yilmaz, Manager, Industrial and Employee Relations, and Mr Geoffrey Gwilym, Manager, Employment, Education and Training, Victorian Automobile Chamber of Commerce (VACC), *Hansard* Melbourne 17 April 2003, p. 646

117 Despite questions about the quality and value of training under some low level traineeships, incentives are paid on commencement for AQF2 level traineeships *because* they tend to be of a fairly short duration. Mr Colin Walters, Group Manager, Science Group; formerly Group Manager, Vocational Education and Training Group, DEST, *Hansard*, Canberra 15 August 2003. p. 1210

118 Ms Kareena Arthy, Director, Research, Planning and Reporting, ANTA, *Hansard*, Brisbane , 31 March 2003, p. 8

3.113 As a disincentive to abuse of lower level training arrangements, the committee considers that completion payments made under the New Apprenticeship system should be tied to training outcomes, and that the full payment should be awarded on completion.

Recommendation 14

The committee further recommends that for training qualifications below AQF Certificate 3, the full New Apprenticeship incentive payment should be awarded on completion on demonstration of skill outcomes, as negotiated under the individual training plan.

3.114 An important consideration for the committee was how to incorporate incentives for middle skill development within a broader framework which would encourage higher skill acquisition. The committee was interested in the view that there is a need to raise the status of middle skill training, and one way of doing this is to make more evident the links between qualifications at that level and the potential to upgrade these through articulation to training at higher level.¹¹⁹ The committee was advised that the first step is to remove the cap on New Apprenticeship incentives for Levels 5 and above.¹²⁰

Recommendation 15

The committee recommends that New Apprenticeships incentives should be available for qualifications at AQF Certificate 5 and above, to foster higher skill development under traditional and non-traditional New Apprenticeships.

3.115 The committee also considers that to achieve this goal, some further support is needed to institutions to foster middle and higher level traineeships. In this context, the committee notes that Innovation incentives are provided to employers under New Apprenticeships, but that the tertiary sector is not given any special assistance or encouragement to build the necessary partnerships, or adjust their courses. Given this, recommendations were made for targeted incentives to assist universities and TAFEs to enter partnerships with industry, and to collocate, to achieve the type of flexible pathways necessary for promoting middle to high skill acquisition.

3.116 The inquiry heard about a number of models which might benefit from such an incentive, and which would fit with proposals under New Apprenticeships at AQF level 5 and above to consolidate pathways to higher skill development.

3.117 At hearings in Dandenong, Chisholm Institute of TAFE reported its work with industry in the development of the synchrotron. The institute confirmed that there was

119 See for example, Mr Alan Montague, Manager, Apprenticeships and Traineeships, RMIT University, *Hansard*, Melbourne, 16 April 2003, p. 560, Submission 101, Curtain Consulting, pp. 13–14

120 For example, Submission 94, Victorian Government, p. 23

potential to meet the needs of a whole new stratum of skills at paraprofessional level comprising high skilled technical jobs at AQF 4, 5, 6 and spin offs for lower level technical qualifications at Certificate level 3 and at trade level. Chisholm considered that the present AQTF framework is adequate to provide paraprofessional qualifications and could support a master apprenticeship stream, as in Germany.¹²¹

3.118 The Royal Melbourne Institute of Technology (RMIT) University told the committee about an articulation model developed with Robert Bosch Australia, a prominent manufacturing company, which would provide a coherent training pathway from trades through to professional engineer which allowed for work and study in the workplace at the same time. The model involved a student completing Year 12 VCE over two years, while also beginning an apprenticeship. Those recruits who had passed VCE (Year 12) with good passes in English, Mathematics and Physics would have to the opportunity to undertake an engineering diploma part-time while they completed their apprenticeship. The Advanced Diploma in Engineering could be credited to an Engineering Degree and is the equivalent of the first two years of a degree full time degree.¹²²

3.119 RMIT advised that, as dual sector institute, the opportunity exists to progress to degrees and further study and research, given the articulation pathway between engineering diplomas and degrees at RMIT. To support the pathway, RMIT recommended that TAFE should be allowed to obtain innovation incentives and be rewarded for its contribution on the basis of innovation outcomes, as the actual training hours are delivered by Bosch as the RTO.¹²³ However, the Victorian TAFE Association Chief Executive Officers Council told the committee that at present there are limited financial incentives for collaboration between the various stakeholders. Nevertheless, Victoria is considering a Bill to allow TAFE to offer degrees.¹²⁴

3.120 The committee considers that, as a complement to innovation incentives provided to employers under Commonwealth New Apprenticeships, ANTA should give due attention to models proposed by RMIT and Bosch Australia, and others, and consider whether targeted funding of innovation incentives should be provided to institutions to foster articulation pathways.

Recommendation 16

The committee recommends that ANTA should give consideration to providing targeted innovation incentives to TAFE and universities to fund them for their

121 Ms Virginia Simmons, Director and Chief Executive Officer, and Mr Patrick Jones, Director, School of Manufacturing and Engineering, Chisholm Institute of TAFE, *Hansard*, Dandenong 15 April 2003, pp. 509–10

122 Submission no 47, Bosch RMIT University, p. 13

123 *ibid*; and see Mr Allan Ballagh, Acting Director, TAFE, RMIT University, *Hansard*, Melbourne, 16 April 2003, pp. 562–63

124 Submission 61, Victorian TAFE Association CEO Council, p. 13

development of partnerships with industry, and to support efforts to build multiple training pathways between institutions.

3.121 A further concern is that New Apprenticeships do not differentiate between entry level and existing employees in the application of the incentive. Many industries reported that technology change and skills attrition makes upskilling existing workers and attracting other skilled people from related industries for retraining essential. It was suggested that quite separate schemes should be developed to target the different employment needs of each group. The aim is to guarantee the appropriateness of the training and the probity of the assessment process, with an emphasis on devising a workable mechanism for assessing and funding Recognition of Prior Learning (RPL) (otherwise known as Recognition of Current Competency).

3.122 Given findings that older workers in traineeships have consistently poor quality training and outcomes under New Apprenticeships, the committee is persuaded that a separate scheme may be required to address the needs of current workers.¹²⁵ Reskilling is a key strategy for many skill shortage areas, both for meeting emerging skill needs and in providing lifelong learning opportunities for an ageing workforce.¹²⁶ The scheme many need to operate on a tax rebate basis, as a learning bonus and may include targeted incentives for higher level certification, above level 3.¹²⁷ Proposals for a separate scheme are examined in more detail in Chapter 5.

Recognition of Prior Learning

3.123 However, the committee considers that Recognition of Prior Learning (RPL), or Recognition of Current Competency, is essential if trade apprenticeships are to be fast-tracked to meet skill needs. The committee also takes the view that RPL should be a standard procedure in assessment for all training, not just for upskilling, and should be treated as such by providers and employment services. RPL is an expensive process and not without its implementation problems. Although a requirement for RTOs, the committee was told that RPL is unevenly applied, due mainly to funding systems operating in the states.¹²⁸ DEST advised that requirements and processes for RPL will be reflected in the draft *Training and Assessment (TAA) Training Package*, which is being developed to replace the existing *Assessment and Workplace Training Package*. The draft package is expected to be submitted for endorsement to the National Training Quality Council by October 2003.¹²⁹ Work is also being done to

125 See Executive Summary, NCVER, Cully M and Curtain R, *Reasons for New Apprentice's Non-Completions*, 2001

126 See for example, submission 17, VACC, p. 8, and discussion Victorian Employers Chamber of Commerce, Light Manufacturing Training Australia, National Employment Services, *Hansard* Melbourne 16 April, pp. 615; 626; 630.

127 Submission 95, ACCI, p. 34, Ms Sharan Burrow, President, ACTU *Hansard*, Melbourne, 16 April, p. 605.

128 Submission 3, Shop Distributive and Allied Employees' Association, p. 14

129 DEST Question No. 5, Senator Stephens, *Hansard*, Canberra 15 August 2003, p. 1222

identify barriers to the implementation of RPL, and to develop a set of national common principles and operational guidelines for RPL, with results expected in March 2004.¹³⁰

3.124 The committee supports these developments but recommends that cost disincentives to RPL should be redressed. Without implementation of RPL as standard practice, training is now offered without due consideration of individual or organisational needs, resulting in a waste of training effort. In some industries, as in the health and community sectors, RPL is likely to make more affordable the higher skill levels now required under legislation, but which are now unmanageable.¹³¹ RPL is also likely to ensure that the Job Network does its work properly, both in skills matching for those with informally acquired skills and better targeting and assessment of the capabilities of young people for future training to match their aspirations and link with available jobs.

Recommendation 17

The committee considers that Recognition of Prior Learning (RPL), encompassing recognition of current competencies, should be conducted for all jobseekers to ensure that those with relevant skills or capacities have the opportunity to acquire the necessary skills to meet their own and industry's training needs. To achieve this, the committee recommends:

- **ANTA should endorse the adoption of national common principles and operational guidelines for RPL, and address identified barriers to Registered Training Organisations (RTOs) and TAFE undertaking RPL;**
- **an incentive for RPL should be provided under New Apprenticeship contract arrangements, either as a supplement or as a complement to incentives provided for training; and,**
- **training should be provided for Job Network staff with relevant industry experience under the proposed *Training and Assessment (TAA) Training Package*. All job seekers registered with Job Network should be RPL assessed and have access to appropriate training and available jobs. For higher level or specialised skills this may require TAFE, or other RTOs, to undertake the RPL.**

130 DEST Question No. 8, Senator Stephens *Hansard*, Canberra 15 August 2003, p. 1223

131 *Hansard*, Adelaide 12 April 2003:, Ms Diane Lawson, Chief Executive Officer, National Industry Training Advisory Board, Community Services and Health Training Australia, p.1002; Ms Denise Wharldall, Chief Executive Officer, Leveda Inc, and Chairperson, ANGOSA, p. 1103; Ms Elizabeth Clare, Executive Manager Corporate Development, Masonic Homes Inc.1104-05; Mr Craig Harrison, ACROD National Employment and Training Committee Ltd, p. 1106; Ms Anne Clark, President, Association of Child Care Centres pp. 1106-07

3.125 The committee is particularly anxious to ensure that young Australians have good employment opportunities in life, and is convinced that this object should be a natural complement to industry's need for more skilled people. On this count, the committee was alarmed to hear that Job Network apparently does not provide the link between employers and young people for skilled work, being regarded by employers as a vehicle for the long term unemployed and for disadvantaged job seekers.¹³² The committee also heard that New Apprenticeships Centres do not have the capacity to provide sufficient job matching services for every industry sector;¹³³ indeed, their focus is on processing contracts on the approach of employers. This means there is effectively no Commonwealth supported mechanism to seek out and match up skilled people with available jobs.

Job Network: matching skills with skilled jobs

3.126 Evidence to the committee indicated a need for a nationally integrated approach to job matching, as well as for better targeting of local and regional requirements. Rural representatives reported that the capacity to address skill shortages has plummeted since introduction of Job Network, which did not carry the labour and employment focus of previous approaches.¹³⁴ Fragmentation of match-up and training services, due to the proliferation of private and community providers, made it impossible to link people up in different areas. RTOs could not get the critical mass necessary to provide courses in certain areas, despite employer demand.¹³⁵ At an institutional level, Chisholm Institute of TAFE reported that under the Victorian model of Local Learning Area Networks, TAFE had developed strong partnerships with government and industry to address training and employment needs, but links with Job Network were still undeveloped.¹³⁶ Finally, with the focus being on long-term unemployed, early school leavers and recently redundant older people were not receiving the targeted assistance they needed.

3.127 DEWR anticipates that the introduction of Job Network Employment Services Contract 3 (ESC3) will address identified weaknesses in job matching. National Employment Services Association and Jobs Australia also considered that the new computer system introduced under the contract should improve capacity to match available skills and unemployed persons on national, regional and local scale.¹³⁷ These organisations were also working with DEWR, ACPET and ANTA investigating the

132 Submission 58, Jobs Australia, p. 4

133 Submission 17, VACC, p. 9

134 Submission 10, Rural Skills Australia, p. 7

135 Mr David Thompson, Chair, National Employment Services Association; and Chief Executive Officer, Jobs Australia, *Hansard*, Melbourne, 16 April 2003, p. 554

136 Ms Virginia Simmons, Director and Chief Executive Officer, Chisholm Institute of TAFE *Hansard*, Dandenong, 15 April 2003, p. 511

137 Ms Annette Gill, Project Coordinator, Police and Consultation, National Employment Services Association, *Hansard*, Melbourne, 16 April 2003 p. 554; Submission 58, Jobs Australia, p. 4

potential to aggregate demand between a number of providers in a region to allow provision of training to meet demand.¹³⁸ Advances had been made with training credits for Work for the Dole, with additional credits for mature workers and indigenous unemployed. There would also be more targeted matching for WFD placements to job aspirations and prior training of individuals.¹³⁹ The committee approves these developments and, in particular, regards progress towards aggregation of demand as an important means of addressing training and employment needs in regional areas.

3.128 In its response to Questions on Notice DEWR also confirmed further advances to be made under the Employment Services Contract 3 including better links between Job Network and Work for the Dole;¹⁴⁰ improved monitoring and evaluation on Job Seeker Account expenditure on vocational skills training and targeted studies of jobseeker assistance and employment outcomes under the Active Participation Model;¹⁴¹ and better links between training providers and Job Network providers through networking, holding fora and through printed media.¹⁴²

3.129 The committee notes and especially commends the introduction of Intensive Support Job search assistance training for Job seekers aged 16 to 24, as it will apply as soon as they start receiving unemployment benefits. A companion to this will be a resource package for career counsellors to assist them to advise young people in their post school choices, and printed material to make young people at risk aware of Job Network Services.¹⁴³ Another important advance is the increased provision made to Job Network Services to recognise different educational outcomes for indigenous job seekers and for the 15 to 20 year old who have not completed year twelve.¹⁴⁴

3.130 However, at hearings in Canberra DEWR confirmed that although there is more flexibility under the new Job Seeker account, no specific assistance has been made available for 15 to 24 year olds to obtain specific training that leads to national

138 Mr David Thompson, Chair, National Employment Services Association; and Chief Executive Officer, Jobs Australia *Hansard*, Melbourne, 16 April 2003 p. 554

139 Mr David Thompson, Chair, National Employment Services Association; and Chief Executive Officer, Jobs Australia *Hansard*, Melbourne, 16 April 2003, p. 552

140 DEWR Question 10, 'Additional Questions from the Committee', *Hansard*, Canberra 15 August 2003

141 DEWR Question 11, 'Additional Questions from the Committee', *Hansard*, Canberra 15 August 2003

142 DEWR Question 12, 'Additional Questions from the Committee', *Hansard*, Canberra 15 August 2003

143 DEWR Question 14, 'Additional Questions from the Committee', *Hansard*, Canberra 15 August 2003

144 DEWR Question 12, 'Additional Questions from the Committee', *Hansard*, Canberra 15 August 2003

qualifications, unless the job seekers are also Indigenous.¹⁴⁵ The committee is of the view that Job Network does not offer sufficient opportunities to young people to gain appropriate *employment-related* training, given the intensive assistance offered focuses on general skills such as making job applications. There are also concerns that work experience and on-the-job training opportunities for young people are too limited. In this regard, the committee acknowledges that DEWR has made considerable advances with the introduction of the Job Seeker account, but notes it has not targeted additional funding for youth at risk for employment-related training.¹⁴⁶ The committee also believes that, to improve opportunities for work placements of young people, impediments to work placements, including lack of public liability insurance and workers compensation, should be addressed so that job seekers can better improve their skills base.

Recommendation 18

The committee recommends that additional provision should be made through the Job Network Job Seeker account to support 15 to 24 year olds to obtain employment-related training that leads to national qualifications, particularly in the traditional trades and areas of skill shortage.

Recommendation 19

The committee recommends that the Commonwealth should identify and develop strategies to address impediments to genuine work placements, including the availability of public liability insurance and workers compensation, so that young people have increased opportunity to gain work experience and build their skills.

3.131 Another matter of importance to the inquiry is the capacity of the system to provide relevant employment-related training for upskilling or cross-skilling of unemployed people to fill skill shortages. That is, the committee believes that unemployed people who may have qualifications in another trade, or have competencies that are not formally acquired, should be eligible to obtain the necessary competencies and qualification to fill a skilled vacancy in the trades or other areas of skill shortage.

3.132 To achieve this, Job Network will need to conduct effective Recognition of Prior Learning, as recommended above, to fund links to appropriate training, and to provide wage subsidised placement with an employer. The committee is concerned that the capacity to fund such links will not be sufficient given that, even under ESC3, the proportion of incentive available to Job Network providers is some 30 per cent less

145 Ms Alison Durbin, Assistant Secretary, Intensive Support Operations Branch, Intensive Support Group, DEWR, *Hansard*, Canberra, 15 August 2003, p. 1247

146 DEWR Question 12, 'Additional Questions from the Committee', *Hansard*, Canberra 15 August 2003

for a training or education outcome, over an employment outcome for people of the same unemployment duration.¹⁴⁷ As Jobs Australia advises, under these arrangements only the most well-resourced and committed Job Network provider would be able to offer a job seeker both vocational training and a wage subsidised placement by an employer.¹⁴⁸ In this regard, the committee notes that under ESC3 Job Network assistance can now be provided as a companion to New Apprenticeships incentives.¹⁴⁹ The committee considers that Job Network providers should enter into arrangements with employers to access New Apprenticeships to ensure appropriately skilled unemployed people have access to training for upskilling and cross-skilling to fill skill shortages.

Recommendation 20

The committee recommends that Job Network providers should enter into arrangements with employers, with the agreement of all industry players, to access New Apprenticeships for unemployed people who have relevant skills to achieve fast-tracked apprenticeship qualifications in skill shortage areas.

3.133 The committee also considers that Job Network providers may need additional motivation to more effectively identify and match up all available skilled people with available jobs, especially in more difficult to fill skill shortage areas. The National Employment Services Association submission advised that:

Even though seen as a highly valuable and intrinsic part of the Job Network suite of services, job matching has represented a financial liability to many Job Network providers and has often been subsidised from other areas of operation. As such, the capacity of the Job Network to value add with regard to the issue of skills shortages has been limited. Job Network Members have generally sought to canvass employers whose vacancy needs match the current skills of registered job seekers.¹⁵⁰

3.134 Other evidence confirmed this view. The Greater City of Dandenong provided the committee with a survey which indicated that Job Network (circa 1999) did not try to place people in traditional trades including hairdressers, metalworkers, bookkeepers, and CNC operators because placement took longer than two weeks. As the payment is made on the number of job placements, these positions remained unfilled. This process was thought to feed a training market of RTOs focused on easy

147 Under ESC3 a 3 week education or training outcome for someone unemployed 13–24 months will attract a \$550 fee. This is 30 per cent of the fee payable for an unemployed out come for people of the same unemployment duration. The same \$550 fee is only 16 per cent of the fee payable for an employment outcome for people unemployed for 25–36 months or otherwise identified as highly disadvantaged. Submission 58, Jobs Australia, p. 7

148 Submission 58, Jobs Australia, p. 7

149 DEWR Question 17, 'Additional Questions from the Committee', *Hansard*, Canberra 15 August 2003

150 Submission 49, National Employment Services Association, p. 6

to fill positions, with no overarching plan to meet required skills development.¹⁵¹ The submission from Maribyrnong/Moonee Valley Local Learning and Employment Network (LLEN); Melbourne's West Area Consultative Committee and the Western Region Economic Development Organisation (WREDO) also reported that Job Network was unable to attract and recruit local residents into skill shortage positions in the region, despite data survey findings that the number of appropriately skilled people far exceeded the number of jobs available.¹⁵²

3.135 While the new data matching services under the ESC3 might be considered to assist the job matching process, NESAs expressed concerns that its introduction may actually reduce the capacity of job matching activities given the nature of the substantially expanded administrative and compliance reporting tasks needed for data matching.¹⁵³ In this regard, the committee notes with concern that on the introduction of the system on 3 July 2003, the Government had to provide \$20 million in extra funding to shore up the capacity of Job Network providers to keep contact with their clients.¹⁵⁴ On this basis the committee suspects it may be necessary to overcome considerable costs disincentives to Job Network to link and place people with jobs in skill shortages areas.

3.136 The committee considers that the new Industries Strategies Task Force, set up by DEWR to develop approaches for Job Network and other employment services to link up employers and job seekers in areas of skill shortage, could play an important role in determining the nature of any targeted assistance.¹⁵⁵

Recommendation 21

The committee recommends that the Industries Strategies Task Force should monitor the present capacity of Job Network to meet skill shortage needs. It should establish benchmarks to assess employment outcomes and evaluate whether any mechanisms are needed to improve Job Network's capacity to arrange additional training for jobseekers with competencies in skill shortage areas.

151 Ms Anita Buczkowsky, Project Manager, South East Development, City of Greater Dandenong, *Hansard*, Dandenong, 15 April, p. 485

152 For example, there were reported shortages in IT. However, surveys showed that the Western Area of Melbourne has almost three times the number of qualified residents as available jobs. See submission 62, Maribyrnong/Moonee Valley LLEN; Melbourne's West Area Consultative Committee and the WREDO, pp. 6, 9–10

153 Submission 49, National Employment Services Association, p. 7

154 'Job Crisis: PM Bails Out Agencies', *Australian Financial Review*, 10 July 2003, pp. 1; 4

155 DEWR Question 12, 'Additional Questions from the Committee', *Hansard*, Canberra 15 August 2003

