

Australian Fair Pay Commission

Submission

from

Group Training Australia Ltd

on the

Spring 2006 Minimum Rates Decision

July 2006

Background

Group Training Australia Ltd (GTA) was formed in 1992 as the national peak body for Group Training Organizations in Australia. GTA is a well connected network of not-for-profit organisations providing full statewide coverage in all States. The GTA network not only provides excellent geographic coverage but it also provides apprentices and trainees to all industries within the economy and also provides extensive services to disadvantaged and marginalised groups.

Over the past thirty five years the group training mechanism has grown to become an integral part of the vocational and technical education sector where nearly one in five traditional apprentices is now employed through group training arrangements.

GTA Understanding of the Role of Commission

GTA understands that the Commission's remit is to consider the minimum rates of pay for apprentices and trainees in relation to the economic prosperity of the people of Australia having regard to the following four key considerations provide to it by government:

- The capacity for the unemployed and low paid to obtain and remain in employment;
- Employment and competitiveness across the economy;
- Providing a safety net for the low paid;
- Providing minimum wages for junior employees, employees to whom training arrangements apply, and employees with disabilities to ensure those employees are competitive in the labour market.

Clearly the provision of minimum rates for junior employees, employees in training and employees with disabilities is of immediate interest to GTA. Equally important is the provision of a safety net for the low paid.

GTA Position of Minimum Rates in Respect to Apprentice Employment

Minimum rates of pay for apprentices and trainees are referenced to minimum adult rates, or tradesmen's rates, in either industrial awards or the national training wage award. As an interim measure GTA would seek to maintain this reference. The commission will need to be mindful of this nexus, and the possibility of breaking it, when determining minimum training rates.

GTA would argue that until it is clear to employers (particularly SMEs) how the Commissions work will impact on wage setting and how it will interact with the recommendations of the Award Review Taskforce, the focus should be on the preparation and education of employers for the next round of longer term changes beyond the transition period of award preservation.

With respect to minimum rates amounts, GTA has never sought to recommend amounts. Group Training's business is related to the supply of apprentices and the utilisation of training opportunities and does not go to the actual business

(productivity mechanics) of the industries in which it places apprentices. We, therefore, do not seek to recommend variations to minimum rates amounts.

Anecdotal evidence, however, suggests that the current minimum apprentice rates no longer attract sufficient numbers or the optimum type of applicant. It is often said that better paid casual work makes for more attractive life style options and a training wage is therefore something of a disincentive to many young people who fail to see the career advantages.

GTA believes this contention to be valid and would therefore support any adjustment to the minimum rates which would make employment-based training, but particularly traditional apprenticeships, more attractive to young people.

Economic Benefits of Increased Education and Training

GTA has been so concerned about the disincentive created by training wages for job seekers that we recently commissioned Access Economics to model the impact of making the first and second year of a traditional trade course tax free. Their report demonstrates that such an initiative would increase the annual intake of traditional apprentices. It also demonstrates the benefit to the Australian economy that flows from this increase in terms of increased productivity and participation.

These two factors of productivity and participation have been key considerations in Treasury's response to the challenge of the ageing workforce as expounded in the Intergenerational Report and other Treasury working papers released since that report.

In view of this, GTA takes the broad view that the Commission's remit to be mindful of Australians' prosperity when making its recommendations is best served by increasing minimum training wages.

GTA potential to provide Data to Commission

GTA and the AFPC share a common long-term interest in determining the impact of minimum rates on the uptake of apprenticeships and traineeships. To date, GTA has not had access to resources or partnerships which would enable longitudinal research in this area, although GTA is increasingly using its network for interactive research projects.

GTA nationally:

- employs in excess of 40,000 apprentices and trainees
- uses some 50,000 host employers at any time (mostly SMEs)
- in the course of a year would be in contact with at least 150,000 employers – in search of business and following up leads
- would place some 25,000 apprentices and trainees per year
- interviews some 120,000 applicants (mostly young people).

We would suggest that we have an excellent population sample of both employers and apprentices and the necessary network structures to support medium/longer term research for these cohorts. GTA believes it would appear logical for the AFPC and GTA to examine partnerships in this area.

Recommendations

1. That there should be no reduction to the current minima for apprentices and trainees but rather an increase.
2. That the Commission investigate the opportunity of utilizing the GTA network to help it extend its understanding of the impact the minimum wage may have on the uptake and retention of apprentices and trainees.

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