

**Report**

**of the**

**Dusseldorp Skills Forum**

**and**

**Group Training Australia**

**Skills Round Table**

**Sydney 21 July 2003**

## List of Participants

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## **1. Declining training rates**

1.1 The round table opened with a presentation of a paper by Dr Phil Toner of the University of Western Sydney on the decline in training rates in the traditional trades. A review of the paper by the Department of Education, Science and Training (DEST) prior to the event challenged some aspects of the methodology but essentially validated the trends highlighted in the paper.

1.2 The following key points were made during the presentation:

- there has been a marked and sustained decline in the training rate in a number of trades and occupations since the recession of the early 1990s
- the decline is concentrated in trades in three industries: metals and engineering, building and construction, electrical and electronics
- had the training of apprentices continued at the same rate as before the recession an additional 19,000 positions would have been created
- there is no evidence of a compression in wage relativities to explain the decline yet apprentice wage rates, already seen by many as too low to attract young people, would have to decline by 25-30% before employers would make more positions available
- the decline in trade training by the public sector has contributed significantly to the decline
- the decline in private sector effort can be explained by:
  - the greater use of labour hire and out-sourcing
  - the growth of 'lean production' systems and the associated reduction in firm size and the expansion of 'just in time' production methods
- greater targeting of employer incentives would probably only lift the training rate at the margin
- young people are not particularly attracted to the traditional trades for a range of reasons including low wages during the apprenticeship; and
- group training activity appears to be most prominent in those industries with the greatest decline in training rates

## **2. Impact of the Decline**

2.1 There was general agreement that the decline in the training rate has contributed to the skill shortages that are being reported by industry and monitored by government. There was also broad agreement about the reasons for the decline in the training rate.

2.2 The skill shortages have probably constrained firms' capacity to implement product and process innovation. However, participants noted that Australia's economic performance had still been robust during this period of training decline. It was arguable though that, had earlier training rates been

maintained, economic growth would have been that much greater as a result of the dynamic effect of a highly skilled workforce.

2.3 Participants also agreed there was a need to distinguish between skill shortages and the skill gaps that arise when the existing skilled workforce needs retraining to keep up with rapid technological and other changes.

2.4 There was agreement that firms have engaged in a range of adaptive behaviours to meet their needs for skilled labour. These adaptations include:

- attracting skilled migrants
- using labour hire when skilled labour is needed
- using group training for apprentices
- re-skilling existing workers and new entrants through a combination of on and off-the-job training that is generally not formally recognised
- training in narrow bands of skills at sub-trade level to meet specialist production tasks
- training arrangements extending beyond one enterprise through pooling and other co-operative arrangements amongst firms and along supply chains

### **3. The Training System and Adaptive Behaviours**

3.1 While these adaptations and responses to skill shortages and skill gaps appear to have met the needs of industry, judging by the growth of GDP during the 90s, there is still some disquiet about how sustainable they are in the long term. It is also questionable whether they are really capable of developing the skills pool needed for an innovative competitive economy with a stake in the high skills, high wage, high value added market.

3.2 Some participants were of the view that a 'just in time' approach to skilling, which is effectively what is happening in many instances, may not ultimately be in the interests of industry and the economy and certainly not the workers who are being trained on this basis.

3.3 There was general agreement that the problem of skill shortages and skill gaps did not necessarily mean that the problem was systemic, or that apprenticeships were no longer capable of responding to the needs of industry. As indicated in paragraph 1.2 the problem is still largely restricted to the trades in three industries, albeit critical ones.

3.4 There are however a number of different (unique) features of an apprenticeship and participants agreed on the need to be clear about which aspect of apprenticeships were at issue when considering how best to modify them to improve skills formation and make the system more responsive. An apprenticeship is comprised of:

- a special contractual employment relationship between an employer and employee
- a special occupational band of skills at AQF level III which is characterised by a sense of craft; and
- a form of training which is government regulated and subsidised

3.5 In discussing the apprenticeship system and why it is that industry has had to adopt other approaches to skill its workforce, a number of issues were raised, some of which it has been suggested should be the subject of further research.

3.6 These issues go to the reasons the apprenticeship system is proving inadequate and whether the adaptive behaviours that are either a response to those inadequacies, or to industries' inability to engage in traditional trade training for other reasons, represent a market failure and a potential economic problem that warrants government intervention.

#### **4. Adaptive Behaviours – Issues Raised**

4.1 The decline in the training rate and the consequent skill shortages has forced industry into a range of compensating adaptive behaviours. The reasons for the decline, and the ways in which industry has dealt with the shortages, as outlined in Dr Toner's paper, met with broad agreement from round table participants.

4.2 Many of the adaptive behaviours that were identified by participants still revolve around the current apprenticeship system. That is, they involve the employment of an apprentice under a Training Contract who is engaged in a training program drawn from one of the pathways defined in a Training Package.

4.3 This is certainly the case with the employment of an apprentice through a group training arrangement and would in many cases also apply to many of the innovative, co-operative arrangements that are emerging between firms and supply chains. Skilled migrants of course are simply employed on the basis that their credentials have already been recognised by the relevant authorities.

4.4 Some firms have significantly reduced their involvement in apprenticeship training, or withdrawn altogether. Many firms prefer to employ skilled labour through labour hire arrangements in order to meet short term skill needs or rely on re-skilling and up-skilling their existing workforce, or a combination of both.

4.5 Like the failure of certain aspects of the existing apprenticeship system, these adaptive behaviours raise a number of issues for policy makers.

### **Just in Time Training**

4.6 It is apparent that many firms develop skills in their employees on a 'just in time' basis. That is, skilling is provided through various combinations of on and off-the-job training to meet a need as it arises whether it be a change in technology, production method or product.

4.7 There is also evidence that some trade level skills and higher order skills are being imparted on this ad hoc basis to workers who do not have the necessary underpinning skills and knowledge such as a recognised trade credential. They may in fact have no formal qualification.

4.8 This approach to skills acquisition raises a number of concerns including:

- the fact that it often seems to ignore basic pedagogy about the scope and sequencing of modules or units of competency to ensure that new skills are always built on the appropriate foundation of underpinning skills and knowledge
- that an expanding modular approach to training is occurring below the qualification level leading at best to a statement of attainment, provided the training is nationally accredited which is often not the case
- an increasing number of workers appear to be being trained at sub-trade level only, according to ABS data, reflecting the fact that workers are often only being trained to work new machinery, leading to what some participants have argued is a worrying narrowing of skilling; and
- skills are not being aggregated into credentials, even though concepts such as the skills passport are an attempt to remedy this.

## **5. Apprenticeships and the Training System – Issues Raised**

5.1 Participants identified the following issues as factors affecting the ability of apprenticeships and the training system to meet industry needs:

### **Image of the Trades**

5.2 It is now commonplace to assert that young people have little interest in pursuing a career in the trades. While this is not necessarily the experience of all participants at the round table, it seems to be the prevailing view. There are a number of aspects to the problem including:

- lack of conviction by young people that the trades can lead to personally and financially rewarding careers
- low wages during the apprenticeship
- greater variety of career opportunities to choose from including easier access to higher education than existed 20 years ago

- careers advice that favours higher education over vocational education and training; and
- entry requirements, particularly in numeracy, that put apprenticeships beyond the capacity of many job seekers

### **Lack of RPL and Early Completion**

5.3 The system has failed both to deliver the level of RPL that is necessary for effective up-skilling and re-skilling of existing workers, or to enable new entrants to complete early, if competency can be demonstrated.

5.4 Most State Training Authorities appear reluctant to allow for much more than about 6 months off the nominal duration of the Training Contract. This is despite the fact that employers themselves will often informally deem someone to be competent after as little as two years in the trade.

5.5 Consideration needs to be given to some apprenticeships being shortened if trade competence can be acquired in less time than the nominal 4 years.

### **Misalignment of Jobs and Prospective Apprentices**

5.6 There is often a mismatch between the location of the apprenticeship vacancies and the prospective apprentices. The fact that training must be tied to the employer and the workplace under a Training Contract for an apprentice to be trained may need to be reviewed to allow for a greater degree of institutional training.

### **Inadequacy of the AQF**

5.7 Participants pointed to a number of problems with the Australian Qualifications Framework which work against effective outcomes in skill formation. These problems include:

- significant differences in training intensity, duration and pre-requisites between courses at similar AQF levels that, over time, have the effect of distorting the value and status of trade training
- the consequent need for an unpacking and decompression of AQF levels below the current trade level to reflect more accurately the different levels of skilling
- the need to provide better pathways on the AQF for training at sub-trade level; and
- the need in manufacturing for more trade training at higher levels of the AQF than is currently occurring. The demand for more highly trained tradesmen in itself creates the problem that they become too valuable to release to supervise and mentor apprentices.

### **VET in Schools**

5.8 Participants agreed that the increasing number of young people engaged in VET in schools, including school-based New Apprenticeships (SBNA), should go some way to remedying some of the above problems. This is

expected to occur as young people are encouraged to 'try' trade training in years 11-12 in the hope they will like it sufficiently to make a career of it.

5.9 However, VET in schools still faces a number of significant hurdles to being a solution to skilling problems including:

- most VET in schools is occurring in the non-trades areas
- lack of industry regard for the outcomes; and
- the extremely slow take up of SBNA's for reasons that vary between jurisdictions.

### **Entry level training and training connected to re-skilling**

5.10 It was agreed different parts of the training system can serve different needs and purposes, on both demand and supply sides.

5.11 It was observed that new workers and older workers come to training often with different expectations and perspectives, much like employers. These elements of training also serve important but differing economic and labour market objectives.

5.12 We need to distinguish between the way similar but functionally quite varied requirements of training (induction, mentoring, new knowledge, skills acquisition) are different to re-engagement, activating existing knowledge and skills enhancement. This has important implications for the way the system organises rewards (including incentives) and qualifications, constructs consumer signals, and projects cohesiveness.

## **6. Further Research**

6.1 There was agreement on the value of further research to better inform the debate. The following broad areas of research were suggested:

1. the extent and nature of the adaptive behaviours in Australian firms and how these behaviours are affecting the quality of skilling including:
  - research into partnerships and co-operative arrangements between firms, VET providers and other stakeholders to determine the effectiveness of these initiatives and the extent to which they are delivering quality outcomes
2. what is happening in the USA in terms of the relationship between the formal training system and the need for adaptive behaviours and how Australia compares

3. young people's attitudes to, and perspectives on, a career in the traditional trades

## **7. Conclusion**

7.1 There was general agreement that the round table had served a useful purpose. It provided participants with a valuable opportunity to hear a diversity of opinion from a range of well-informed stakeholders about the issue of skill shortages and how best to deal with it.

7.2 While opinions differ about the causes and severity of the problem, there is general agreement that there is insufficient information available about the impact of adaptive behaviours to be confident that this approach is consistent with the high skills, high performance economic model to which most OECD economies, such as Australia, aspire. Hence agreement on the need for further research outlined above.

7.3 Participants noted that government has already recognised that intervention of some kind is warranted through the implementation of DEST's National Industry Skills Initiative, the DEWR industry strategies initiative, still embryonic at this stage, and ANTA funded projects such as the research into skill ecosystems.

7.4 However, participants also affirmed by their presence and in their closing remarks that if more can be done then more should be done. Each organisation represented at the round table has accepted the challenge to move forward on this issue in whichever way seems most appropriate to the interests it represents.

**END**